After Akers
Finding a successor to the IBM throne
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US TV shake-up
Networks re-tune their strategies
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Green dot misses the point
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FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JANUARY 27 1993

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Croats ignore UN reprimand and continue advance

Croat forces ignored a reprimand from the United Nations Security Council and pressed forward in their drive to secure control of strategic Serb-held territory in Croatia.

But President Franjo Tudjman of Croatia offered to withdraw his army if Serb militia handed over heavy artillery seized from UN-supervised arms depots in Croatia's four UN-monitored zones. Page 18; Geneva talks risk being victim, Page 2

Hoover move sparks French threat: France has threatened to take Britain to the European Court over the decision by Hoover to close its vacuum cleaner plant near Dijon and switch production to Scotland. Page 18

Stora, Europe's biggest pulp and paper group, announced a preliminary loss of SKr1.4bn ($190m) for 1992, a sharp turnround from last year's SKr1.1bn profit. Page 19

EuroDisney said it incurred a net loss of FFr492m ($92.4m) in the first quarter of the current financial year, worse than analysts expected and confirming fears that the company will make a sizeable loss this year. Page 19; Lex, Page 18

Russian court sets trial date: Russia's Supreme Court set April 14 for the trial of 12 ex-communists accused of staging the August 1991 coup and ordered their temporary release from jail. They will face charges of high treason. Russia urged to favour pro-reform, Page 2

Havel elected Czech president: Vaclav Havel was elected president of the new Czech Republic for a five-year term, according to unofficial results released by state television.

Rabin attacks UN over expulsions

Israeli prime minister Yitzhak Rabin attacked a call by UN secretary-general Boutros Boutros Ghali for the Security Council to take "whatever measures are required" to force Israel to reverse the mass expulsion of Palestinians to Lebanon. Mr Rabin says the expulsions were a justified response to a wave of fundamentalist killings. Page 4; Editorial Comment, Page 17

American Express share price fell sharply on the news that James Robinson has managed to salvaged his job as chairman of the US travel and financial services group, and to have himself named chairman and chief executive of Shearson Lehman, the troubled investment bank and brokerage subsidiary. Page 19; Top cards fail to deal a winner, Page 22

Curfew on Indian towns: Curfews were clamped on two Indian towns after communal violence broke out, marring the country's Republic Day celebrations. Yeltsin redefines relations with India, Page 4

Pressure on Japan: Official figures showed that consumer confidence in Japan is still deeply depressed, increasing the pressure on the government to stimulate the stagnant economy. Page 5; Japan urged to open markets, Page 3; Sumitomo Bank lowers profits forecast by 84%, Page 22

Tanker adrift: The tanker Lyra, with 378,000 gallons (1.43m litres) of heavy oil in its engine tanks, broke loose from a tug and was adrift off the North Carolina coast as a storm loomed, the Coast Guard said. Danish tanker fire out, Page 5

Inspectors resume Iraq search: UN nuclear inspectors resumed their search for secrets of Iraq's nuclear weapons programme, the first team in Iraq since December. Iraqis face humanitarian crisis, Page 4

Elf Aquitaine, the French oil group, is scaling back investment this year as "policy of prudence," after announcing a 36.7 per cent fall in net profit last year to FFr6.2bn ($1.16bn) from FFr9.8bn in 1991. Page 20

Wessex Waste Management, joint venture between Wessex Water and Waste Management International of the US, is buying the waste division of transport and logistics specialist NFC for £118m. ($171.7m). Page 19; Details, Page 24; Lex, Page 18

Clinton chooses ambassador: President Bill Clinton has selected Thomas Pickering, a former US ambassador to the United Nations during the Bush administration, to be ambassador to Russia, the White House announced. Clinton inherits thick file of trade problems, Page 8

■ STOCK MARKET INDICES		
FT-SE 100	2,835.7	(+63.8)
Yield	4.21	
FT-SE Eurotrack 100	1,894.24	(+8.56)
FT-A All-Share	1,373.49	(+2.1%)
Nikkei	16,482.63	(+205.18)
New York lunchtime		
Dow Jones Ind Ave	3,314.35	(+22.15)
S&P Composite	442.18	(+2.09)
■ US LUNCHTIME RATES		
Federal Funds	2 1/2%	
3-mo Treas Bills Yld	2.983%	
Long Bond	104 3/4	
Yield	7.228%	
■ LONDON MONEY		
3-mo Interbank	6 1/2%	(7 1/8%)
Liffe long gilt future	Mar 101 1/2	(Mar 100 1/2)
■ NORTH SEA OIL (Argus)		
Brent 15-day March	$18.88	(17.875)
■ Gold		
New York Comex Jan	$331.1	(328.8)
London	$331.05	(328.75)

■ STERLING		
New York lunchtime:		
$	1.538	
London:		
$	1.538	(1.5595)
DM	2.425	(2.4525)
FFr	8.2825	(8.3)
SFr	2.225	(2.25)
Y	189.25	(192.25)
£ Index	79.5	(80.4)
■ DOLLAR		
New York lunchtime:		
DM	1.57725	
FFr	5.3325	
SFr	1.4535	
Y	123.68	
London:		
DM	1.577	(1.5725)
FFr	5.3325	(5.3225)
SFr	1.4535	(1.4425)
Y	123.65	(123.3)
$ Index	65.4	(65.3)
Tokyo close Y 123.9		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft152	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr15
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.20
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Syria	S£50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	UAE	Dh11.00

IBM chief Akers quits as dividend is slashed

Ailing computer giant to look elsewhere for executive talent after $4.9bn setback

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines, the troubled US computer giant, yesterday said Mr John Akers would step down as chief executive. IBM also announced that its quarterly dividend would be slashed from $1.21 to 54 cents, the first time the company has cut its pay-out to shareholders.

In an unprecedented move, IBM said the search for a new chief executive will be conducted outside the company as well as within the ranks of IBM's senior executives.

This management shake-up and the dividend cut reflect the severity of IBM's problems and rising pressure from shareholders.

Last week IBM reported a net loss of $4.9bn on sales of $64bn for 1992, the largest annual loss in US history, after taking restructuring charges of $11.6bn to cover the cost of drastic reductions in manufacturing and 40,000 job cuts.

But yesterday's moves drew a positive reaction on Wall Street. IBM's shares, which had been languishing at under $50, down from more than $100 in July, rose sharply to almost $53 when trading opened. By midday, they had dipped to $50⅞.

The management changes were widely seen as a signal that IBM was prepared to take radical measures to return the company to profitability as quickly as possible.

The dividend cut, although clearly a disappointment to shareholders, had been expected after last week's earnings announcement.

John Akers: stepping down

Frank Metz: early retirement

"These actions are clearly positive, but the long-term health of IBM remains a question," said Mr John Jones, Salomon Brothers' computer analyst.

IBM may need to take additional write-offs. The company must also demonstrate that it has the ability to maintain its overall market share in the $350bn worldwide information technology market, he added.

Mr Akers, who is 58 and had been expected to retire at the end of 1994, proposed that a search for a replacement be accelerated at a meeting of IBM's board of directors in New York on Monday, IBM said.

"It is the right time in IBM's business transformation to identify new leadership," Mr Akers said in a statement yesterday. He will remain as chairman, at least for the time being.

Sharply underscoring the dramatic cultural changes that have shaken IBM under Mr Akers, be is its first chief executive to retire early and the first for whom the board is seeking an outside replacement.

Moreover, IBM's non-executive directors have gained considerable power over IBM's executives in recent days. It was not immediately clear whether they had forced Mr Aker's resignation, as their counterparts had recently done with the chief executives of General Motors and American Express, but they won the right to select Mr Akers' replacement.

Throughout its history, IBM's executives, enjoying tbe perorgative of great success, had cosily selected tbeir successors. Mr Akers and the other executive directors, fighting a seemingly endless battle to revive IBM, have bowed to the outside directors.

The selection of a new chief executive will be made by the new nominating and executive compensation committee, a group of outside directors chaired by Mr James Burke, former chairman of Johnson and Johnson and a long-time member of IBM'a board.

In otber top management changes, Mr Frank Metz Jr, IBM's chief financial officer, who is 59, will retire a year earlier than expected. He will be succeeded by Mr Paul Rizzo, a former IBM vice-chairman.

Mr Jack Kuehler, 60, will relinquish tbe title of IBM president, and becomes a board vice-chairman.

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Battle for change, Page 19

Mercedes plans radical overhaul of model range

By Kevin Done, Motor Industry Correspondent, in Stuttgart

MERCEDES-BENZ, the luxury carmaker, is to embark on a radical transformation of its range, in a move which signals a dramatic change in strategy.

Mr Helmut Werner, chief executive-elect of the automotive subsidiary of Daimler-Benz, Germany's biggest industrial corporation, said yesterday the company planned to develop during the 1990s a small city car; a "people carrier" or multi-purpose vehicle; and a four-wbeel drive leisure/utility vehicle.

Foreshadowing a decade of upheaval, he said that Mercedes-Benz's current models had been "over-engineered" and warned that future ranges could be "priced out" of the market if such over-engineering was allowed to continue through tbe 1990s.

Mr Werner said radical changes in the structure of the world market had "necessitated the strategic reorientation". He also beralded a marked price realignment for future models, implicitly accepting that they sbould compete more closely with the luxury cars produced by Japanese manufacturers.

The group is also to be drastically reorganised with management layers reduced from six to four, a substantial cut in the 7,200-strong central staff in Stuttgart and introduction of decentralised "performance centres".

The company will also accelerate plans to assemble passenger vehicles outside Germany and to *search for partners in the development of components.*

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■ *Porsche sales set to fall*
■ Daf delays recovery plan

Mr Werner said the company would be transformed from a traditional maker of exclusive luxury cars into an "exclusive full-line manufacturer offering high-quality vehicles in all segments of the market". Its products would be extended "substantially" beyond the present three car ranges.

This strategy includes plans for the development of:

● a "people carrier" or multi-purpose vehicle to compete with products such as Renault's Espace and Chrysler's Voyager in one of the fastest-growing segments of the world market. Code-named T0, the vehicle will be produced in Spain and launched in late 1994 or early 1995.

● a four-wheel drive leisure utility vehicle to rival products such as Land Rover's Range Rover and Discovery, Chrysler's Grand Cberokee and the Mitsubishi Pajero/Montero/Shogun. The vebicle would be developed by Mercedes-Benz alone, Mr Werner said, after the failure of partnership talks with Mitsubishi of Japan and Peugeot of France.

● a small city car to be introduced during the second half of the 1990s. This vehicle could be similar in size to tbe Twingo recently launched by Renault and would probably include an *electrically powered version.*

Boeing plans sharp cut in aircraft production ■ Pratt & Whitney to slash employment by a quarter

Worldwide aviation industry suffers major blow

By Martin Dickson in New York

THE SEVERE recession in the world's aviation industry was underscored yesterday when Boeing, the largest commercial aircraft manufacturer, announced a sharp cut in production and Pratt & Whitney, a leading engine supplier, said it would slash employment by a quarter over the coming two years.

The cuts at Boeing include the 747 jumbo jet, its biggest and most profitable product and its only model to have avoided production slowdowns announced over tbe past year.

Output of tbe 747 will be reduced from five aircraft a month now to three a month in the second quarter of 1994. Production of all Boeing's models will drop from 32.5 a month to 21 a month over the same period.

The cuts are a response to the financial difficulties facing many of the world's leading airlines, particularly US carriers, wbicb have forced them to make big cuts in tbeir capital apending programmes.

Boeing said it had yet to determine the impact of the cuts on employment but it was expected to be "significant." The company cut some 7,600 jobs lo 1992.

Boeing also announced fourth quarter net earnings before accounting changes of $377m, or $1.11 a share, on sales of $7.5bn, down from earnings of $403m, or $1.17 a share, on sales of $7.8bn in the fourth quarter of last year.

Separately, United Technologies, the parent of P & W, yesterday unveiled a fourtb quarter loss of $333m, or $2.77 a share, on sales of $5.7bn after taking pre-tax charges of $701m or $3.45 a share. That compares to a loss of $1.22bn, or $10.33 a sbare, on sales of $5.8bn in the same period of 1991.

Tbe charge – against tbe operations of P & W, as well as United Technology's fligbt systems division and general corporate expenses – iocludes $447m for credit and other exposures to tbe airline industry, $169m for contract matters, and $85m for additional restructuring.

P & W, which lost some $500m last year, said it planned to streamline its operations and cut employment to no more than 30,000 by the end of 1994, compared to 40,664 at the start of this year and 52,000 at the end of 1990.

Mr Dean Thornton, president of Boeing's commercial aircraft group, said tbe company remained optimistic about the long-term prospects, hut "tbe present reality is sobering".

Boeing insisted its cutbacks were not tied to any particular customer, however, Japan Airlines, one of the biggest 747 customers, indicated earlier tbis month that it would delay taking delivery of some of aircraft. Analysts said at least two US carriers, Northwest and United Airlines, had also signalled they wanted a stretched out delivery timetable.

Boeing is cutting production of its 737 jets from 14 a month now to 10 a montb next October, while 757 production, scheduled to drop from 8.5 a month to five in September. Production of the 767, now at five a month will drop to three a month in October.

Britain cuts interest rates by 1 point to 15-year low

By Emma Tucker and Peter Marsh in London

THE British government yesterday stepped np support for economic recovery by cutting interest rates to their lowest level for more than 15 years.

A 1 percentage point cut in commercial banks' base rates to 6 per cent sent share prices sharply higher and was swiftly followed by announcements from mortgage lenders that they would cut rates by just ovsr ½ point.

The surprise move was generally welcomed by British industry, whlch expressed the hope that it would bring down borrowing costs for thousands of struggling businesses. However, it had a lukewarm reception among rank-and-file Conservative MPs and among the government's political opponents on tbe grounds that ths move might not be enough.

Mr Norman Lamont, chancellor of tbe exchequer, said Britain now had the lowest interest rates in Europe and that prospects were becoming "better and better". Speaking in New Delhi, Mr John Major, prime minister, said the cut was necessary to boost economic confidence and return Britain to "a secure pattern of growth".

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The London stock market saw the biggest daily rise since September 18, two days after the UK left the European exchange rate mechanism, as investors took the view that the cut in borrowing costs would at last bring recovery from the longest recession since the 1940s. The FT-SE 100 index rose 63.8, to close at 2,835.7, within a whisker of the all-time high recorded on January 4. Investor satisfaction at the move spilled over to the government securities market where prices gained up to 1 point.

The foreign exchange markets, however, took a dim view of the fourth 1-point cnt in intsrest rates since Britain left the ERM. After heavy selling of sterling for other currencies, tbe pound closed in London at DM2.4240, down 2¾ pfennigs on the day. It also closed just over 2 cents lower at $1.5380.

The interest rate cut came shortly after the Bank of England reduced the rate at which it lends to tbe banking system, by the unusual devica of announcing a minimum lending rate.

The Bank's move, coming just before today's auction of £2.5bn ($3.85bn) of medium-dated gilt-edged stock, infuriated many market-makers. Because of the rise in gilt prices, they face losses estimated at £25m in their auction operations.

The decision to take short-term UK interest rates more than 3 points below Germany's Lombard rate came after a string of bleak economic indicators including a sharp rise in unemployment, a fall in manufacturing output and sluggish broad money growth.

In a Treasury statement, Mr Lamont said the cut in rates was "appropriate" given Britain's economic background. The government believed the move was "consistent with the necessary restraining influence on inflation".

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Italy faces threat of big rise in unemployment

The worsening jobs outlook has jumped to the top of the political agenda, writes **Robert Graham**

UNEMPLOYMENT has jumped to the top of the Italian political agenda with warnings from the Bank of Italy and Prime Minister Giuliano Amato of big rises to come.

President Oscar Luigi Scalfaro took the unprecedented step of writing to the prime minister urging him to tackle unemployment, which had reached levels "an industrial democracy could not tolerate in the long term". Then yesterday the theme was taken up by Mr Bruno Trentin, head of the CGIL, the largest trade union confederation.

Figures vary of the number of jobs at risk. According to Censis, the social research institute, at least 700,000 jobs may go this year. The government has talked of 500,000 potential job losses.

Concern is increasingly evident in the near daily worker protests over job cuts. Last week brought a two-hour stoppage in all Pirelli plants, a march through Naples by employees of the troubled state aerospace group Alenia, and a rally in Rome by 5,000 workers of Enichem, the lossmaking state chemicals group.

The unemployment rate is estimated at 11.2 per cent. Although this is similar to that of Britain and nearly a point higher than France, economists say Italian unemployment is increasing rapidly.

Industrial production is falling sharply (down 3.7 per cent this month compared to January 1992). Public and private sector companies are struggling to remain competitive amid a growing burden of debt. Hard decisions about job cuts in steel, defence and chemicals have yet to be made. Added to this, civil service recruitment is frozen and the public administration is about to be overhauled.

The latest figures for heavy industry show that in October employment was 6.8 per cent down on the same period in 1991. At the same time, the services sector has ceased to play its traditional role, absorbing excess labour from industry: employment here is etagnant. The real unemployment picture, however, is obscured by the employers' ability to lay off workers for up two years on near-full pay largely subsidised by the government. Use of this lay-off facility increased 10.9 per cent in 1992 and now embraces 327,000 workers.

Many of those industrial concerns in the north of the country resorted to this mechanism in mid-1991 at the onset of the economic downturn, and the time limit will be up this year. In early 1991, the government introduced a variant to subsidised lay-offs – funding a job mobility scheme. Those on this waiting list, held open for two years, also are excluded from the unemployment figures. On February 7, the first 70,000 on this scheme who have not found jobs become formally unemployed and then have no formal support from the state.

But the most disturbing aspect of the figures is both the high proportion of youth unemployment and the disproportionate number of jobless in the south. Those aged between 14 (the school-leaving age) and 29 represent on average 29 per cent of the total unemployed. In the south of Italy, youth unemployment represents 42 per cent of the total against 15 per cent in the centre and north.

Last week, the government announced that close to L50,000bn ($36bn) was available, part in unspent previous budget allocations, to stimulate and sustain employment. Of this L10,000bn was earmarked for public works, L10,000bn for transport, and L10,000bn for the south.

But yesterday the CGIL's Mr Trentin dismissed this kind of assistance as being of limited use in promoting real economic growth and sustaining real jobs. He warned that entire regions in Italy risked being de-industrialised and said it was essential for the government, unions and employers to consider measures which brought longer-term economic benefit.

President Scalfaro (right) with Mr Amato: democracy cannot tolerate long-term high unemployment

Lower Italian inflation figures made a cut in official interest rates likely in the near term, according to the industrial employers' federation Confindustria, Reuter reports from Rome.

"We expect a reduction in the discount rate relatively soon," said Mr Innocenzo Cipolletta, head of research.

Italian inflation fell to 4.3 to 4.4 per cent year-on-year in January from 4.8 per cent in December, according to data from the city of Bologna. The figures are unofficial but are taken as an accurate guide to consumer inflation. Official figures are released early next month. The discount rate now stands at 12 per cent.

Meanwhile, the Italian budget minister, Mr Franco Reviglio, said yesterday that the forecast of 1.5 per cent GDP growth for 1993 was unrealistic and that the government now expected growth of between 0.5-0.9 per cent this year.

"A GDP growth of 1.5 per cent, as forecast, is now unrealistic. Today we expect a GDP growth for 1993 of between 0.5 and 0.9 per cent," Mr Reviglio told journalists.

"Every one point fall in GDP adds L10 trillion lire to the budget deficit," he added. The 1993 budget deficit target is L150 trillion.

German unions warned on pay

By Christopher Parkes in Frankfurt

EXCESSIVE wage rises or any other avoidable increases in inflationary pressure will rule out cuts in German interest rates, Mr Helmut Schlesinger, president of the Bundesbank, threatened yesterday.

In an unusually direct criticism of trade union ambitions, he singled out this year's 26 per cent pay claim for eastern German metal workers in a renewed attack on the danger of inflation.

It would be impossible to offset such an increase with rate cuts, however big they might be, he said in Leipzig, Saxony.

Any increase in inflationary tendencies "which can still be avoided" would rule out interest rate reductions, he warned in a speech at the installation of Mr Olaf Sievert as president of the central bank of Saxony and Thuringia.

He was speaking after local IG Metall union leaders rejected a 9 per cent pay offer for members in Saxony. The union insisted on a 26 per cent rise, agreed in 1991 as part of a package assuring eastern members of pay parity with the west by 1994. The issue will now go to arbitration.

Mr Schlesinger's speech coincided with figures from Baden-Württemberg showing a jump in inflation this month to 4.2 per cent a year, compared with 3.5 per cent in December.

Mr Schlesinger's choice of words suggest that while this month's increase in value added tax and persistently rising rents – due to a national housing shortage – could be regarded as "unavoidable", inflationary pay increases, either in the east or west, could not.

An over-generous award to Saxony's engineers would almost certainly be followed by similar deals for their colleagues in other eastern states and increased pressure for equal treatment for other workers in the former GDR.

Record French trade surplus

By William Dawkins in Paris

FRANCE prodnced a record FFr30.55bo (£3.71bn) trade surplus last year, a sharp turnaround from tbe FFr29.55bn deficit in 1991, thanks to a gain in market ehare by industrial exporters and a slowdown in demand for imports.

Mr Micbel Sapin, the finance minister, said the result was tbe fruit of French companies' rigorous control of wages and other costs, which had improved their competitiveness by 10 per cent over the past five years.

They would continne to gain market share, np by nearly a percentage point to 7.4 per cent in the Organisation for Economic Co-oparation and Development over the past three years, despite the recent declines in some European currencies, he predicted.

The result, the biggest reversal of nearly 13 years of French trade deficits, is vital good economic news when the Socialist government is facing electoral defeat partly because of its inability to rednca record unemployment of 10.5 per cent.

The news helped strengthen the franc against the D-Mark yesterday, a further sign that it may he recovering from tha receot waves of speculative selling of the French currency.

Spanish judge refuses to charge ex-KIO team

By Tom Burns in Madrid

A MADRID court yesterday refused an application by Grupo Torras, the Spanish investment arm of the Kuwait Investment Office, to bring criminal charges against seven former senior executives who had masterminded the KIO's now troubled investment drive in Spain.

Judge Miguel Moreiras of Madrid's senior monetary court ruled that the action did not contain "a single indication" that fiscal crimes had been committed by those it accused.

The judge's decision constituted a sharp reversal for a new Kuwaiti team, headed by Mr Mahmoud al-Nouri, which took over the management of both the KIO and Torras midway through last year.

In a series of controversial decisions the new management cut off funds to Torras companies and put the holding's big chemical conglomerate, Ercros, into receivership last July.

Accusing the former management of an "apparent misappropriation" of funds and of "mismanagement on a massive scale", the new team put Torras itself into receivership last month citing losses of $4bn.

Torras lawyers had filed a criminal lawsuit two weeks ago alleging a series of irregularities, including fraud, tax evasion, falsifying public deeds and price manipulation.

The lawsuit accused Sheikh Fahad al-Sabah, the KIO's former chairman and a cousin of the Emir of Kuwait, as well as Mr Fouad Jaffar, the KIO's former general manager, Mr Javier de la Rosa, former deputy chairman of Torras, and four other former senior managers of causing "fraudulent losses for the company well in excess of Pta100bn [$877m]".

The judge said tbat Sheik Fahad, as chairman of the KIO, had express authority from Kuwait's Finance Ministry to manage the office's investments abroad as he saw fit and that the office's Spanish executives had at all times informed the KIO, "up to the last detail", of investments and disposals conducted by Torras.

The ruling seemingly upheld the claims of Mr da la Rosa and others included in the lawsuit that the new KIO management was seeking to settle political scores rather than run the assets under its control.

"All this has had to do with internal Kuwaiti politics," Mr de la Rosa said last night. "The new management has been shown up in a ridiculous light."

A Torras official said the ruling had "caused surprise" and that the company's lawyers were studying it with a view to a possible appeal.

Geneva talks risk being victim

By Robert Mauthner in Geneva

THE international consensus so laboriously built np on the former Yugoslavia, and which has invested the Geneva peace talks with the required weight and authority, risks being one of the many victims of the renewed Serbo-Croat fighting in the enclave of Krajina.

All the main powers have so far backed the diplomatic negotiations on Bosnia-Hercegovina, chaired by Mr Cyrus Vance and Lord Owen, as the best way to reach a settlement, hnt the past few days have revealed cracks in the common front.

The Croat offensive to reclaim some former territory occupied by the Serbs in the 1991 war has simultaneously deprived the Geneva talks of their momentum, led countries such as France and Britain, with peace-keeping forces in Croatia and Bosnia, to re-examine their role, and reawakened old alliances like those between Russia and Serbia.

Confusion has been compounded by the agonising reappraisal of US policy towards the former Yngoslavia, and Bosnia in particular, by President Bill Clinton's new administration. If, as widely reported, Washington is leaning towards lifting the embargo on arms deliveries to the Boenian Moslems, currently applied against all the warring factions in Bosnia, such a step has become more controversial following the Croatian attack in Krajina.

Traditionally sensitive abont what it has always seen as the western powers' bias against the Serbs, Russia has become more ontepoken in its demands for a more even-handed approach. Moscow's warning that it might ask for UN sanctions against Croatia shows how the wind is blowing.

The least that can be said is that Rnssia will oppose a selective lifting of the arms embargo which would favour the Bosnian Moslems in their civil war against the Bosnian Serbs, as long as punitive action was *not* taken by the international community against the Croats.

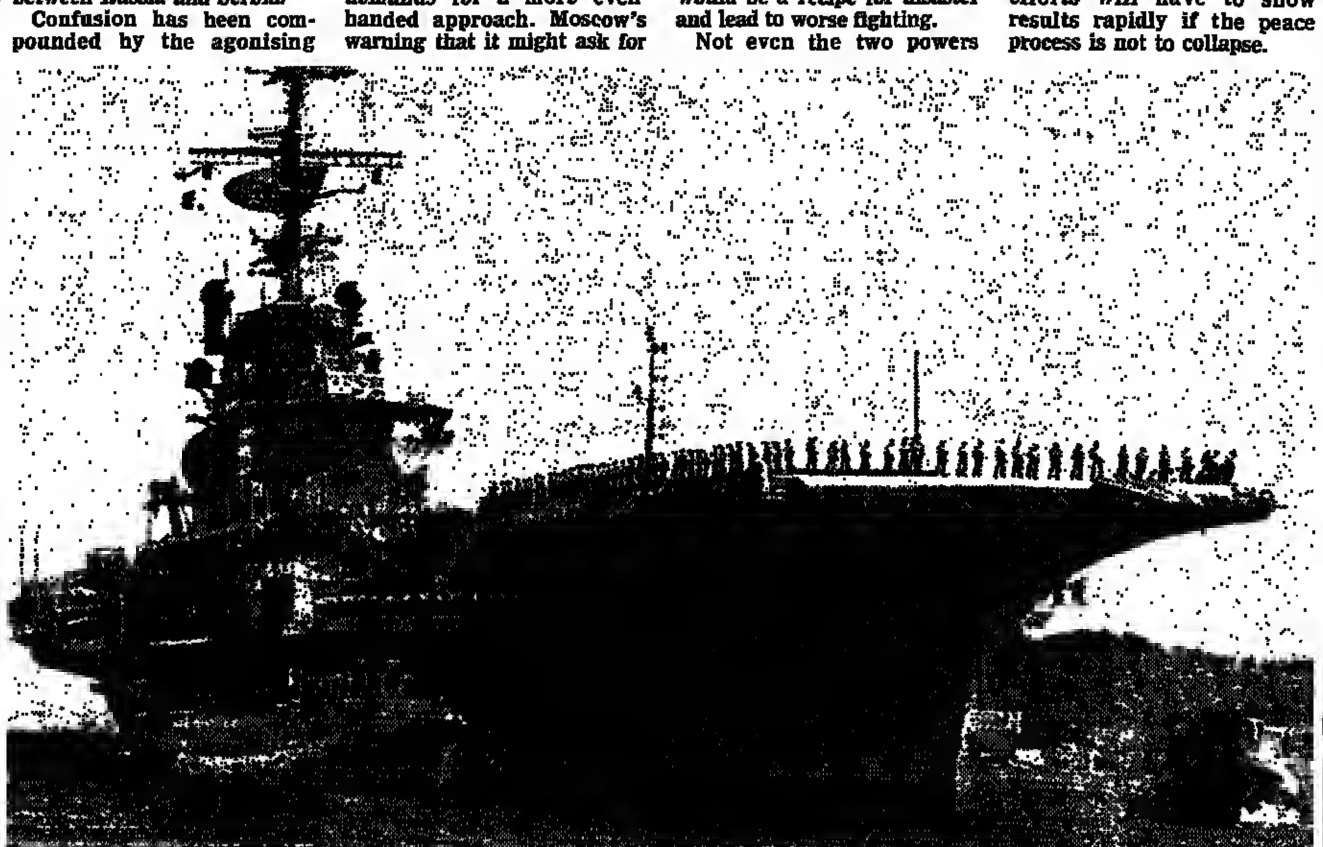
Mr Vance is doing his utmost to persuade the new US secretary of state, Mr Warren Christopher, that the lifting of the arms embargo, let alone direct military intervention, would be a recipe for disaster and lead to worse fighting.

Not evcn the two powers which have contribnted most to the UN protection force in Croatia and Bosnia, France and Britain, are entirely on the same wavelength. Both governments have said their forces (5,000 French and 2,400 British) are there only in a peacekeeping role. But the loss of several soldiers' lives has led both governments to send naval task forces, including aircraft carriers, to the Adriatic.

The French government has come nnder pressure from pnblic opinion to reconsider its opposition to military intervention in Bosnia, following the killing of 11 French soldiers since the UN started operations there. By contrast, British public opinion appears to favour *withdrawal* of British forces from Bosnia, following the death of one British soldier.

The co-chairmen of the Geneva conference believe the Croatian and Serbian leaders will still try to limit the fighting. Bnt their mediation efforts will have to show results rapidly if the peace process is not to collapse.

Contingency plans are being made to withdraw British troops from the former Yugoslavia although the government has no immediate intention to pull out, Baroness Chalker, Britain's overseas development minister, said yesterday, writes Sheila Jones. "Like any good army we have to be prepared for any eventuality," Lady Chalker said. "There is real and perfectly understandable worry about troops and aid workers. I believe we should be seeking to continue as long as we reasonably can." Britain's 2,400 troops, helping to guard UN aid convoys, would continue to play a humanitarian role so long as it was safe to do so and would not be drawn into fighting.



The French aircraft carrier Clemenceau, ordered to the Adriatic yesterday after fighting between Croats and Serbs worsened

EC court to clarify pensions

THE European Court of Justice heard arguments yesterday in a case that should clarify how far employers must go to equalise men's and women's pensions, Reuter reports from Luxembourg.

A key question is whether the court's landmark May 17, 1990 ruling ordering equal pension rights in the European Community applies to benefits earned before the jndgment was issued.

The court will hear detailed arguments over the next few months. The Advocate General is then expected to issna a report. A final judgment is expected around mid-year.

The new case joins suits from four parties in Britain, Germany and the Netherlands. One involves pensioners from Britain'e Coloroll Group, which has gone into receivership.

In the 1990 judgment, Barber vs Guardian Royal Exchange, the court ruled that a provision of the Treaty of Rome outlawing sex discrimination in pay schemes applied to pensions.

It limited tbe degree to which the ruling could be retroactive, but in technical language that was not clear.

EC leaders tried to clarify the situation by adding a protocol to the Maastricht treaty saying the Barber ruling would apply only to benefits tied to an employea's service after May 17, 1990.

Czech and Slovak polls marred

A BOMB threat, a walk-out of MPs and an inconclusive vote marred the election of presidents in the new Czech and Slovak republics yesterday, writes Patrick Binm in Prague.

In Prague a bomb threat caused parliament to be evacuated as Czech deputies were about to vote. Later Czech television said former Czechoslovak president Vaclav Havel had won with at least 109 votes in the 200-seat assembly.

Earlier, deputies staged a walk-out after an attack on Mr Havel by right-wing opponents who accused him of responsibility for a crime wave following his amnesty of prisoners during his 1990-92 presidency.

Meanwhile in Bratislava, none of the candidates for the Slovak presidency won enough parliamentary votee to he elected. Deputias are to vote again today after what are likely to he hectic talks between parties to try to put together the necessary 90 votes needed for a candidate'e election in the 150-seat Slovak assembly.

The inconclusive first round is a setback for Mr Vladimir Meciar, prime minister and leader of the Movement for a Democratic Slovakia (HZDS), who had strongly backed Mr Roman Kovac, a former member of the Slovak Communist party and current deputy prime minister, for the job.

Mr Kovac received the support of only 69 of the HZDS's 74 deputies.

Russia urged to favour pro-reform areas

By Anthony Robinson

THE collapse of the rouble against the dollar on Moscow's narrow inter-bank market yesterday underlines the wider problems caused by shortage of capital, the need for positive interest rates to attract capital, and the importance of concentrating investment in specific regions of Russia where pro-market reformers are in power.

This was the conclusion of discussion on "local power and economic change in Russia" conducted by Prof Philip Hanson of Birmingham University at the Royal Institute of International Affairs yesterday.

"The size of the country, lack of a consensus on reform, lack of a functioning legal system or the means of coercion, means local power is crucial to the outcome of economic reforms," be said.

His views on the importance of the local factor, in a country which has disintegrated into 82 administrative regional units ranging from cities such as Moscow and St Peteraburg to obscure geographical outposts, were reinforced by Mr Grigory Yavlinsky, architect of the still-born "500-day raform programme" rejected by former President Mikhail Gorbachev.

To prevent the "chaotic, disintegration of Russia accompanied by frustration and violence", Moscow should concentrate on re-establishing monetary discipline and control of banking, credit and monetary policy accompanied by maximom devolution of other powers. "Devolution is preferable to disintegration. It recognises the reality that, for the first time in its history, Russia bas to keep itself together without force applied through a centralised bureaucracy," he told a meeting at the European Bank for Reconstruction and Development.

Mr Yavlinsky is working with the EBRD and International Finance Corporation on fostering privatisation in Nizhny Novgorod, one of the reformist areas receptive to market reforms which, if successful, could serve as models for wider emulation. "Micro-projects of the Nizhny Novgorod type provide an example of civilised decentralisation and the basis of new types of linkages" to replace Russia's authoritarian structures.

With the Russian economy now on the hrink of hyper-inflation, the monetary authorities must raise real interest rates to encourage higher savings and more rational investment. Russia must also push on with privatisation of key sectors like land, energy, gold and diamonds, to ensure the irreversibility of reform.

■ The Soviet coup leaders are to be freed from jail but prevented from leaving the country pending a trial set yesterday for April 14, Leyla Boulton writes from Moscow. Of the 12, eevan have already been released from custody; the remaining five were allowed home yesterday on grounds of illness.

Ukraine cabinet backs economic reform plan

By Chrystia Freeland in Kiev

THE Ukrainian cabinet yesterday approved a tougb economic reform programme which seeks to steer Ukraine towards a market economy over the next year.

The plan, supported by both the conservative and progressive wings of the government, suggests the Ukrainian prime minister, Mr Leonid Kuchma, has succeeded in converting his government to reform.

The programme includes a stabilieation policy to reduce *the budget deficit from 36 per* cent of GDP to 6 per cent. It also aims to bring inflation down to 3 or 4 per cent a month by the end of 1993. To do thet the government bas pledged to cut social welfare payments and state subsidies.

The plan calls for rapid privatisation of small-scale enterprises and the transformation of large stste concerns into joint stock companies.

The programme is likely to further anger Ukraine'e ex-communist dominated parliament which has already called for the repeal of a number of *liberal* government decrees.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelunganplalz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Menaging Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. *The Financial Times Ltd*, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

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NEWS: WORLD TRADE

Big Three may act over car imports

By Nancy Dunne

THE Big Three US car makers yesterday threatened to file "unfair trade" cases in order to get stiff dumping duties imposed on all Japanese cars.

Mr Steve Harris, a Chrysler spokesman, said the companies had long been monitoring the pricing practices of Japanese companies. However, a final decision on whether to go ahead had not yet been taken.

"At the very least, the situation is unfair," he said. "If we determine that it is also a violation of US laws, we will take appropriate action."

The New York Times reported yesterday that the car makers had already decided to bring dumping action against all car imports. Mr Harris said they were "not looking closely" at filing cases against European producers.

Since the election of President Bill Clinton, the Big Three have been considering various strategies which they believe are now possible in a more receptive climate. They were the only industry group received by the president in Little Rock during the transition.

At the time industry officials said they wanted to ensure that the president fulfilled his campaign promise to raise import tariffs on Japanese mini-vans and sport utility vehicles. But clearly wider action against imports was under consideration.

Company spokesmen yesterday were emphasising the "chronic" US motor trade imbalance with Japan. They said even US-produced Japanese cars contained only 40-50 per cent US parts – the equivalent of another $1bn (£649m) in imports.

"The Japanese have to address this problem," said Mr Al Chambers, director of corporate communications for Ford Motor Company.

"The fact that they maintain these imbalances year after year means they are not acting like good trading partners."

The car companies could have much to gain from dumping suits, according to Mr Jim Bovard, a trade expert and author of The Trade Fraud. Although the suits will cost the car companies millions of dollars, it is easy to prove dumping in the US.

"Almost everything is dumping," he said. "Normal business practices are considered unfair dumping." Whereas foreign companies are assigned an 8 per cent profit margin in the calculations, "the Big Three have lost lots of money and that's legal".

Sales of US-made cars and light trucks are running above last year's levels.

Clinton inherits thick file of trade problems

Nancy Dunne in Washington spells out some of the main issues confronting the new administration

THE US is expected today to levy steep tariffs on allegedly dumped steel products, the first action on an agenda jammed with potential trede conflicts which now awaits the attention of the Clinton administration.

If trade history repeats itself, the tariffs, postponed from yesterday, will result in a series of bilateral "suspension agreements" and a new round of "voluntary" steel quotas - with price floors as a new twist.

They may also provoke new enthusiasm for a multilateral agreement to limit government subsidies and lower trade barriers to steel around the world.

As part of a US administration which talks of providing its own subsidies to assist the development of new technologies, Mr Mickey Kantor, the new US trade representative, may find it much less difficult to wrap up agreement than did his more ideological predecessors.

The same may not be true for the Uruguay Round talks. Evidently briefed by some of the American farm groups, who are dissatisfied with the US-EC farm deal, Mr Kantor indicated "concern" about the much-trumpeted Blair House deal. That deal was supposed to sweep away obstacles to successful conclusion of the Round.

It is widely believed that agreement has been reached to reopen the draft Uruguay Round text prepared by Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), for changes necessary to get a deal through Congress.

The US has insisted on amendments to the texts dealing with intellectual property, anti-dumping, subsidies, standards, technical barriers to trade, and the proposed multilateral trading organisation.

Some progress has been made in talks on lowering tariffs on manufactured goods, at which the US has reportedly agreed to cut its tariff "spikes" in exchange for negotiations to reduce several tariffs to zero (ie on paper, wood products and nonferrous metals).

US officials believe a deal cannot be achieved before March 2, the deadline for informing Congress that the administration intends to proceed towards a Gatt deal. However, there have been talks between trade officials and Congress about extending the deadline (for the second and last time) by between one and six months.

Mr Kantor has offered to meet the Senate finance committee over the EC utilities directive, which gives advantages to local companies in bidding for government procurement contracts for telecommunications and heavy electrical equipment. He may soon ask industry to suggest a sanctions list totalling about $1bn (£649m).

Then he may turn his attention to the US-Japan semiconductor agreement, which set as its goal a 20 per cent Japanese market opening to foreign semiconductors by the end of 1992. The final figures will not be available until March, but initial findings auggest that Japanese companies have fallen 4 percentage points abort on the pact.

Mr Kantor told the finance committee that by law he is probably free to impose sanctions, but he also stressed that the 20 per cent was a goal, or "expectation", rather than a commitment.

The US motor industry has already put in its bid for favours from the Clinton administration. It would like tighter "voluntary" restraints on Japanese imports and even restrictions on the number of vehicles produced in the US by Japanese subsidiaries. The latter request is unlikely to win support, but the administration may agree to reclassify Japanese minivans as trucks rather than cars, which would raise their tariff levels from 2.5 per cent to 25 per cent.

The toughest decisions have already been taken over the North American Free Trade Agreement.

President Clinton has said he must have side agreements covering labour standards as well as the environment and import surges. Without these Nafta will never get through Congress.

The administration must still decide how far it can push Mexico on internal standards without interfering with its national sovereignty, thus setting a precedent it may later regret.

Mr Kantor will soon have to advise the president on whether to continue the generalised system of preferences, which extends duty-free access to the US for products from developing countries.

It is unlikely that a Democratic president – no matter how centrist – would slash a programme meant to help poorer countries. But this Democratic president is under pressure to save the $500m a year the programme costs the US Treasury.

President Clinton has said he wants to provide more help to the republics of the former Soviet Union. His predecessor had been able to have it both ways. He gave grain credits to Russia and called them "aid," but when Moscow defaulted on repayments, the "aid" was firmly withdrawn.

The new administration must decide whether to discard the pretence that the republics can repay anytime soon and make a gift of the surplus grain, which in any case is fast piling up in storage bins and depressing US prices.

Contenders for Clinton's trade agenda

- Enforcement of US-Japan semi-conductor agreement
- Response to pressure from the US auto lobby for action against Japanese imports and Japanese production in the US
- Renegotiation of Uruguay round draft agreement on:
  - intellectual property
  - anti-dumping
  - subsidies
  - standards
  - technical barriers
  - multilateral trading organisation
- Nafta:
  - aide agreements on:
    - labour
    - environment
    - import surges
  - decision on how far to push Mexico on internal standards
- Multilateral trade agreement on steel
- Retaliatory action on the EC utilities directive
- Review of the Generalised System of Preferences
- Trade policy towards the former Soviet republics

Tariffs on steel products seem likely to be the first action on the agenda

British seek financial business

Indian insurer in joint venture

By Stefan Wagstyl and Ralph Atkins in New Delhi

SUN LIFE Assurance, the UK life company, is planning a joint venture in India to market unit-linked life assurance – the first move into the Indian life industry by a foreign company in recent years.

The venture is expected to be launched this year in partnership with the Life Insurance Company of India (LIC), the state insurance monopoly.

Mr Peter Grant, Sun Life's chairman, won informal approval for the venture this week from the Indian Finance Ministry. He is visiting India as a member of a delegation of senior British businessmen who have accompanied Mr John Major, the prime minister, on an official visit.

Life insurance has been a state monopoly in India since the industry was nationalised in the 1960s. LIC has to lend most of its premium income to the government and its managerial freedom is limited.

Nevertheless, in line with the Indian government's economic deregulation programme, LIC is being encouraged to develop new prodncts and services.

Sun Life plans to take a 20-30 per cent stake in the new venture and to snpply expertise in marketing and managing unit-linked schemes, in which insurance is combined with saving.

The remaining 70-80 per cent would be held mainly by LIC, possibly with other Indian partners.

Mr Major was yesterday the chief guest at celebrations marking India's Republic Day, which passed off with great pomp and without incident. The British prime minister has made promoting British business the main purpose of his trip.

Local businessmen urged him to help the Indian government embark on the privatisation of state-owned industries.

He is likely to offer UK expertise on selling formerly loss-making nationalisad industries when he addresses businessmen in Bombay today.

Yeltsin visits India, Page 4

Japanese urged to open markets

By Charles Leadbeater in Tokyo

BRITAIN yesterday called on Japan to hasten moves to allow more foreign competition in its financial markets, the most difficult to penetrate among the world's leading economies, according to a British official.

A team of officials from the UK, led by Sir Nigel Wicks, the second permanent secretary at the Treasury in charge of international affairs, concentrated on persuading the the Japanese to open the insurance, pension fund management and government bond markets particularly.

Sir Nigel praised the progress made in the last year to deregulate interest rates and the anthorities' commitment to continne with liberalisation in the face of the severe downturn in the financial sector.

However, he added: "It is snrprising when we see the sophistication of the economy, the strength and size of the financial houses in both banking and securities that they take such a long time to liberalise.

"Of all the G7 economies, no financial market is so difficult for foreign finance houses to panetrate as Japan's," Sir Nigel said.

There were encouraging signs that the Japanese government was planning gradnally to open up the insurance market to competition.

But Sir Nigel said his Japanese counterparts had been unable to justify their unwillingness to open further the government bond market and pension fund management.

Abont 60 per cent of Japanese government bonds are anctioned, with the rest sold through a tender system, closed to foreign finance honses. Tha British team callad for all government bonds to be sold by auction.

Wärtsilä wins power orders for SE Asia

FINLAND'S Wärtsilä Diesel has strengthened its position in south-east Asia with orders for power plants worth FM650m (£80m) from the Philippines and Indonesia, writes Christopher Brown-Humes in Stockholm. The main orders have come from Enron Power of the US and Northern Mindanao Power of the Philippines.

The former has ordered a 110MW plant which will start producing electricity for the Philippines island of Luzon next January. Northern Mindanao has ordered two turnkey diesel plants with a combined output of 110MW. Both will be supplied by Wärtsilä Diesel in co-operation with the Japanese trading house Tomen.

NEWS: INTERNATIONAL

Rabin attacks UN chief on deportees

By Hugh Carnegy in Jerusalem

ISRAELI Prime Minister Yitzhak Rabin yesterday attacked a call by Mr Boutros Boutros Ghali, the United Nations secretary-general, for the Security Council to take "whatever measurea are required" to force Israel to reverse the mass expulsion of Palestinians to Lebanon.

In the latest of a series of tough statements on the issue – which threatens the progress of Middle East peace talks – Mr Rabin said Mr Boutros Ghali's call was "an example of double standards... an almost unprecedented demand from the Security Council to act against Israel, something I cannot recall."

Mr Rabin has refused to overturn the expulsions, saying they were a justified response to a wave of killings by Islamic fundamentalist militants.

But the Palestine Liberation Organisation says it will not resume peace negotiations until they are reversed. Mr Rabin said he hoped the US would veto any move in the Security Council to impose sanctions against Israel, as it has always done in the past.

Mr William Harrop, the US ambassador in Tel Aviv, said the Clinton administration was "most unlikely" to allow the imposition of sanctions. But he said Washington wanted a prior solution to the issue to avoid any question of the US having to use its Security Council veto for the first time in two years.

There is support for a compromise within the Israeli government despite Mr Rabin's uncompromising public stance. Mr Shimon Peres, the foreign minister, said Israel wanted to avoid a clash with the UN and preserve the peace process.

Mr Nayef Hawatmeh, a radical Palestinian leader, said yesterday the US, Israel and Egypt were discussing a proposal for a phased return of the deportees over 24 months.

Test for Clinton, Leader Page

Iraqis face humanitarian crisis, says Oxfam

By Edward Mortimer

"ORDINARY Iraqis are still facing a humanitarian crisis," according to a team of aid workers that has just returned from Iraq.

The team, from the British-based charity Oxfam, spent two weeks in Iraq visiting Baghdad, the south and the north.

They were especially concerned by the lack of sewage treatment and clean water supplies in the south (where many urban areas are ankle deep in 70 per cent raw sewage) and by the lack of heating oil in the north, where oak forests are being felled for firewood in the absence of other fuel.

The shortage of textbooks, blackboards and other educational aids throughout the country was another big area of concern.

At a press conference in London yesterday Mr David Jones, Oxfam's associate director who led the team, urged the UN and Iraq to resume negotiations on oil sales to finance the purchase of food and other humanitarian supplies not subject to UN sanctions.

He also called for the sanctions regime to be re-examined to allow more exemptions, notably for educational supplies, the lack of which was "stunting the mental development of a generation of Iraqi children".

John Major and Indian PM Rao celebrate Republic Day yesterday

Eyes Right: A regiment of Indian army border guards marches past the UK premier

Yeltsin redefines relations with India

Shiraz Sidhva on an old debt that is stunting a mutually beneficial relationship

RUSSIAN President Boris Yeltsin arrives in India tonight for a three-day visit that will define Russia's future relationship with India.

At the top of his agenda will be the resolution of a long-standing dispute over India's Rs380bn (£8.5bn) debt to the former Soviet Union. Neither country has been able to arrive at an acceptable settlement after the rouble's rapid collapse from its previously fixed rate. However, Russia needs the money, and India would like to retain its biggest customer for military equipment, and India wants to ensure an uninterrupted supply of arms, including the sensitive high-technology weapons it cannot secure from the west.

Mr Yeltsin, who is accompanied by a high-powered delegation including Russian Foreign Minister Andrei V. Kozyrev, Defence Minister Gen Pavel S. Grachev, and Minister for External Economic Relations S. Y. Glaziev, assured India on Monday that Russia would respect a 1991 contract for the sale of three cryogenic rocket engines, despite concerns expressed by the US. "If some agreement is signed we should follow it, we cannot stop it," Mr Yeltsin said.

For more than 40 years India has been dependent on the former Soviet Union for its defence equipment. It was one of the largest beneficiaries of the former Kremlin policy of supplying arms to developing countries with little means of paying for them.

The country also enjoyed a special trade arrangement with Moscow which allowed military equipment to be procured on soft credit and against payment in rupees – which are not convertible currency.

"In the changed scenario, India and Russia have a chance to forge a new, more equal relationship," a senior Indian diplomat said. "It seems absurd that an old debt can be allowed to stand in the way."

Realising the potential for trade in India, Russia has shown interest in a joint venture co-producing spares for MIG-21 fighter aircraft. These would be marketed to countries flying 6,800 of the Russian-made aircraft.

> Top of the agenda will be the row over an £8.5bn debt

At least 10 bilateral agreements – including a new treaty of friendship and co-operation to update the existing one signed 20 years ago – are to be signed during the forthcoming summit.

However, the planned exclusion of clauses on military aid, in the event of an armed attack on either country, has drawn criticism from Indian Foreign Ministry officials. "These are the clauses that made the 1971 pact meaningful," one diplomat said. "A friendship treaty makes no sense with India and Russia no longer sharing the same geopolitical and strategic perceptions."

In addition, a hefty defence package including proposals for the co-production of military hardware, the joint development of Light Combat Aircraft (LCA) and the updating of MiG-21Ms, is due to be agreed. A $400m (£263.1m) Indo-Russian arms deal was also signed after Defence Minister Sharad Pawar's visit to Moscow last September.

Reports yesterday suggested that Mr Vladimir Shumeiko, Russian first deputy prime minister, and Mr Manmohan Singh, Indian finance minister, might have worked out a deal on the debt issue. Indian Commerce Ministry officials said it was for Mr Yeltsin and Prime Minister Narasimha Rao to announce the details of the compromise, but the Russian news agency Tass reported that the maximum concession Moscow could make on India's dues was up to 28 per cent of an amount pegged by Russian officials at $15bn.

India agreed last week to pay 45 per cent of its debt pegged at Rs380bn, amounting to about Rs180bn.

Mr Shumeiko, who ranks number two in the Russian cabinet and is co-chairman of the joint Indo-Russian commission on trade and economic co-operation, returned to Moscow yesterday after preparing the ground for Mr Yeltsin's visit. The abundance of skilled manpower, management expertise and cost effective technology in India, together with Russia's vast industrial base, offered huge potential for the two countries to set up joint ventures, he said. He hoped Indian and Russian entrepreneurs would deal independently without depending on governments.

Britain cautious over UN remarks

By Our Foreign Staff

BRITAIN yesterday expressed reservations over remarks by the new US secretary of state, Mr Warren Christopher, suggesting it might be desirable at some time to raise the number of permanent members on the UN Security Council.

British Prime Minister John Major hinted on his tour of India that he did not see a case for early council changes: "I wouldn't wish to do anything to make it less effective." Mr Major, who is anxious to form a good relationship with President Bill Clinton, added: "These are matters that will have to be discussed if there is a general will for them to be discussed. But they are not new ideas. Thay've been around for some time."

In a wide-ranging discussion with State Department staff in Washington on Monday, it was put to Mr Christopher that "... the permanent members of the Security Council. . : reflect the realities of world power in 1945. Is it time for a change? Should the Security Council be expanded? And do you think any further nations should be offered a seat on the permanent membership of the Security Council?"

He replied: "Yes, I think it's time for some reorganisation of the UN to bring it into keeping with modern realities. During the campaign, President Clinton said that he could envisage the addition of Germany and Japan to the permanent members of the Security Council at the UN. And I suspect we'll see some developments in that direction.

"But, at the same time, I would want to acknowledge the complexity of that decision. I'm sure we've all been in organisations, and when you begin to make changes, there are other people who feel they are entitled to a seat at the table. So, I wouldn't want to underestimate the complexity of making that change, but I think it is time to bring the UN. . . into tune with 1993 realities rather than, as you say, with 1946 realities."

LEGAL NOTICES

Advertisement of Creditors Meeting Under Section 48(2) of the Insolvency Act 1986
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NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AD on 9 February 1993 at 11.00 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers, under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors by or under the Act.

Creditors are only entitled to vote if: a) they have delivered to me at the following address: Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC3A 3AD no later than 12.00 noon on 8 February 1993, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including fax copies) are not acceptable.

I D B Bond
Joint Administrative Receiver
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Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

L Robert Bailey
Joint Administrative Receiver
Dated this 21st day of January 1993

Notice of appointment of Joint Administrative Receivers
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Registered number: 469742. Nature of business: Engineering & Allied Industries. Trade classification: 07. Date of appointment of Joint Administrative Receivers: 19 January 1993. Name of person appointing the Administrative Receivers: Royal Bank of Scotland Plc. Joint Administrative Receivers: John Frederick Powell and David Robert Wilson (Office holder numbers 249 and 292). Coopers & Lybrand, 43 Temple Row, Birmingham B2 5JT

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Japan under pressure to lift economy

By Charles Leadbeater in Tokyo

THE JAPANESE government is under mounting pressure to stimulate the stagnant economy, after a clutch of official figures published yesterday which show thst consumsr confidence is still deeply depressed.

Government figures sbow thst bousebold spending in November rose by just 0.2 per cent from a year before, after adjusting for inflation.

Household spending rose by 0.5 per cent in the first 10 months of last year, compared witb the same period in 1991, as consumers slashed spending on furniture, household appliances, electronics and gifts, according to figures from the Management and Co-ordination Agency.

Prospects for an economic recovery largely hinge on s revival in consumption, whicb accounts for about 57 per cent of gross national product.

The continued weakness of consumer sentiment is fuelling pressure on the Bank of Japan to cut official interest rates and on the government to pledge to cut income taxes this year.

Mr Tsuneo Wakai, chairman of the Federation of Bankers' Associations, added his weight to recent calls by otber employers' leadere for an income tax cut.

Ministers emerging from a regular cabinet meeting acknowledged the mounting pressure for further moves to resuscitate the economy.

Mr Hajime Funada, the head of the economic planning agency, said cuts in bousing-related taxes were being considered alongside a straight income tax cut. Mr Yoshiro Mori, the trade and industry minister, said the Bank of Jspan was seriously considering a further cut in interest rates.

However, the Finance Ministry is still holding out against a tax cut which would lead to s rise in government borrowing.

The ruling Liberal Democratic party yesterday agreed to a Finance Ministry medium-term plan which envisages the government's dependence on bonds falling from 11.2 per cent of the budget this year to 4.9 per cent in 1995.

Tbe economy is liksly to remain depressed for the first half of the year, according to the economic planning agency's index of leading indicators whicb forecast the state of the economy three to six months ahead.

Danish tanker fire out

SALVAGE tugboats yesterday were reported to have extinguished ths fire that had burned for five days on the Danish supertanker Maersk Navigator, AP writes from Singapore. The ship had been involved in a collision at the northerly entrance to the Strait of Malacca last Thursday.

Foam sprayed by the tugs smothered the blazing crude oil gushing from the 255,000 tonne tanker, according to a statement issued hy AP Moller, owner of the ship.

A terse message from the Dutch salvage company Smit Tak, hired hy Moller, said: "Foam attack was successful and now cooling. All resources standing hy in case of a flare-up. Preparing for oil pollution control."

Pollution experts flying over the stricken ship said it was spilling oil more slowly. However, a 35-mile-long, mile-wide slick has drifted to within 10 miles of the coral-ringed sonthern coast of India's Great Nicohar Island.

"Our coastguards are on full alert. Ws are closely watching the slick," the Indian environment minister Kamal Nath said.

Old problems dog Nigeria's new team

IMF looks to a budget which revives reform, writes Our Own Correspondent

WHEN Chief Ernest Shonekan was landed with one of Afrlcs's tougbest jobs he promptly called in some old friends.

Inaugurated on January 1 as the chairman of Nigeria's transitional council, he had less than a month to preside over the preparation of the 1993 hudget.

Along with other Harvard Business School graduates in Nigeria, Chief Shonekan had helped to prepare an annual pre-budget policy paper for the past several years.

This time it was the real thing. Three weeks later a reworked civil service draft was ready. The result, due to be delivered in Abuja today, is a critical test for Nigeria.

Unless the bodget revives a lapsed economic reform programme, paves the way for the renewed agreement with the International Monetary Fund, sets in train further rescheduling of Nigeria's $29bn (£18.9bn) external debt, and helps restore creditor confidence, the country's prospects remain bleak.

It is a formidable task. In the seven months to the installation in August of an elected government, Chief Shonekan and his team will be trying to impose fiscal and monetary discipline whicb has been lacking during much of the military regime's past seven years.

But the men in key posts offer a combination of business experience and technical expertise which could well improve the country's economic performance – provided they get the backing from President Ibrahim Babangida.

Chief Shonekan himself, one of the country's most respected businessmen, has been seconded from the chairmanship of United Africa Company Nigeria, the Unilever subsidiary. He has brought with him Mr Isaac Aluko-Olukon, one of his closest advisers who is a leading economist.

Mr Oladele Olashoro, who has the finance portfolio, is a former head of First Bank of Nigeria, one of the big three clearing banks. Mr Philip Asiodu, the new oil minister, ran the State-owned Nigerian National Petroleum Company (NNPC) in the 1970's and had a distinguished career as a senior civil servant.

Capable as the team is, it faces strong resistance from senior military officers and from civil servants to reductions and controls on government expenditure. Recent indicators show how necessary they are.

During the first nine months of 1992, net domestic credit grew by 22.3 per cent, compared with 11.7 per cent in the same period 1991, according to World Bank figures, reflecting a sharp increase in net credit to the federal government of 38 per cent.

Inflation more than doubled, from 23 per cent at end 1991 to 51.3 per cent at end-August 1992 (year-on-year basis).

Alongside cuts in spending, and improvements in the taxation system (the federal government derives nearly 80 per cent of its revenues from oil exports), western donors will be watching for action on petroleum products subsidy.

Some of the business community in

Shonekan: daunting task

Nigeria regard the removal of the subsidy as essential to the credibility of the transitional council. They argue that it would save the government approximately N80bn (£2.56bn) a year, enough to wipe out most of last year's budget deficit at a stroke. Proceeds, they argue, could be used to provide public transport.

Opponents of a drastic cut in the subsidy believe that this would only solve half of tbe problem. The lack of accountability in Nigeria's public finances would make it very difficult for the transitional council to ensure that the saving from the subsidy was spent on economic development.

Since controls on government spending are very weak, the additional income could well go on military purposes and on uneconomic industrial projects.

Above all, there are fears that a cut in the petroleum subsidy would lead to riots. Nigerians not only cberisb their access to the cheapest petrol in the world; they faced a sharp rise in other consumer prices since the 40 per cent devaluation of the naira in March 1992.

Observers will be cautious about making any assessment of today's budget based solely on the figures presented to the National Assembly, bowever. In recent years hudgeted snd actual figures have not tallied, and official statistics have been unreliable.

Tbe Central Bank of Nigeria has recently published its 1991 annual report, for example, which states that instead of tbe government surplus of N100m for 1991 whicb was announced in last year's budget speech, there was a hudget deficit in 1991 of N35.3bn.

This deficit is about 12.5 per cent of GDP, well sbove IMF guidelines. The surplus in the 1992 budget looks likely to result in a deficit even larger than in 1991, according to local bankers.

The real test of the new government, say observers, will not be the budget but how it puts it into practice.

Seoul cuts rates to boost investment

By Jack Burton in Seoul

SOUTH KOREA yesterday cut the central bank's rediscount rates in an attempt to revive tha sluggish economy.

Government officials hope that the interest rate reductions will encourage companies to increase investments and pull the economy out of its slowest growth period since 1981.

The Bank of Korea, the central hank, recently estimsted that the economy grew by 4 per cent last year against 8.4 per cent in 1991.

The slowdown was primarily caused by the government's strict monetary policy to cool the overheated economy and reduce inflation.

But the measures proved to be more effective than officials had expected, curbing growth far below the target figure of 7 per cent.

The government wants to achieve a growtb rate of at least 6 per cent this year.

The reduction in the rediscount rates, which is what the central bank charges on loans to other banks, is the sbarpest since 1982.

They include lowering the rediscount rate on commercial bills by two percentage points to 5 per cent, while rates on trade hills were cut by one percentage point to 6 per cent.

This will result in the commercial banks' general lending rates being lowered hy 1.5 to 2 percentage points from the current range of 10 to 12.5 per cent.

The finance ministry estimates that lower interest rates will raise the profitability of Korean companies this year hy cutting financial costs by more than Won 3,000bn (£2.47bn) and reducing their interest payments to 5.4 per cent of sales from 6.2 per cent last year. But a cut of one to three percentage points for deposit rates, which were also announced yesterday, are likely to decrease bank profits this year as the gap between deposit and lending rates is reduced.

Tha government predicts that the interest rate cuts will add one percentage point to economic growth this year and 1.5 percentage points annually over the next five years if companles use the money for industrial Investments.

But some warned businesses may be tempted to use the funds instead for property speculation, as Seoul recently eased restrictions on property purchases by large companies.

Singapore may relax policies on savings

By Kieran Cooks

MR LEE KUAN YEW, Singspore's senior minister, has said Singapore might relax some of its rigid policies on savings in order to allow entrepreneura to start businesses and make more wide-ranging investments.

"There is merit in the view tbat the government should not over-protect people and give them opportunities to take risks and enrich themselves," Mr Lee said.

Several economists and academics have said that Singapore is saving too much and not properly utilising its considerahle capital reserves.

The Central Provident Fund (CPF), s compulsory social security schema funded by employers and employees, has accumulated funds in excess of S$50bn (£19.6bn) while Singapore's foreign exchange reserves are officially put at US$40bn (£26bn).

Savings stand st 47 per cent of GDP, one of the highest savings rates in the world. Mr Lee said that, while tbe government could not allow people to squander their savings, he agreed with suggestions that soms CPF funds could be released. Mr Lee has heen urging Singaporeans to become more adventurous and invest overseas.

NEWS: THE AMERICAS

Explosive health costs likely to fuel deficit

By Michael Prowse in Washington

THE US budget deficit is likely to reach $650bn (6.8 per cent of gross domestic product) within a decade unless Congress and the White House agree austerity measures, Mr Robert Reischauer, director the Congressional Budget Office, an independent advisory body, said yesterday.

Sharp increases in the deficit towards the end of the decade – from the present level of about $300bn (£197.3bn) – would mainly reflect explosive growth of federal spending on health care.

Mr Reischauer, however, was pessimistic about the chances of health-care reform generating significant budgetary savings before 2000.

This was because reforms were likely to extend insurance coverage to 35m more people, improve the benefits provided under federal programmes and raise reimbursement rates in the public sector, to bring them more closely into line with private sector payments to doctors and hospitals.

He was more optimistic about short-term economic prospects. The economy had entered a period of "self-sustaining" growth, said Mr Reischauer, and would expand at an annual rate of about 3 per cent over the next two years.

This would bring unemployment down to about 6.5 per cent by the end of 1994, compared with 7.3 per cent today. Consumer prices were likely to increase at an annual rate of only 2.75 per cent over the next few years.

Mr Reischauer was testifying before the Senate budget committee following the release of the CBO's semi-annual economic forecast.

Committee members were sceptical about his forecast which implies employment rising at a monthly rate of 200,000 over the next two years, much faster than in the recent past.

Consumer confidence figures released yesterday showed the Conference Board index fell slightly to 77 against 78.1 in December. The stabilising of confidence does not imply economic weakness but suggests that some of the surge at the end of last year was a temporary reaction to President Bill Clinton's election victory.

Mr Robert Reich, labour secretary, said yesterday that a $15bn-$20bn fiscal stimulus was likely this year. Mr Reischauer reacted unenthusiastically, pointing out that a small fiscal stimulus would do little for growth and worsen the longer-term problem of reducing the deficit.

The latter was likely to climb modestly over Mr Clinton's first term, from $310bn this fiscal year to about $357bn in fiscal 1998, he said. It would then nearly double over the next five years, pushing the ratio of federal debt to 80 per cent of gross domestic product, the highest since the aftermath of the second world war.

The main problem was runaway growth of spending on Medicare and Medicaid, the federal programmes for the elderly and poor, which would account for 7 per cent of GDP by 2003 against 3.7 per cent today.

President Bill Clinton's first state of the union address will be delivered on February 17, the White House announced yesterday, Jurek Martin reports from Washington.

This will beat by a symbolic one day President Ronald Reagan's initial state of the union message in 1981. Far more than last week's more spiritual inaugural address, it will encompass legislative priorities at home and external foreign policy objectives, though the fine print of Mr Clinton's extensive list of domestic proposals is unlikely to be ready before mid-March.

As part of the preparation, the president is taking his cabinet this weekend to his Camp David retreat to debate policy options. On Monday he named his wife Hillary Clinton to head the health-care reform task force.

Hillary Clinton smiles as her husband, President Bill Clinton, speaks at a meeting of the Task Force on National Health which he said she would head

Opposition grows in Congress

Clinton faces fight on military gays

By George Graham in Washington

PRESIDENT Bill Clinton faces a possible battle with Congress over his campaign promise to end discrimination against homosexuals in the armed forces.

Mr Clinton, who already faces the hostility of his top military commanders, has now run into opposition from many members of Congress, including one of his staunchest allies, Senator Sam Nunn of Georgia.

White House officials insist that the president remains committed to ending discrimination against gays in the armed forces solely on the basis of their sexual preference, while at the same time maintaining military morale and cohesion.

But fulfilling his campaign promise may now force Mr Clinton into a grualling congressional battle and require the expenditure of a good deal of political capital.

Administration officials hope in a first stage simply to direct Mr Les Aspin, the secretary of defence, to stop asking new recruits whether they are homosexual, and to freeze proceedings to remove declared homosexuals from the armed forces.

Mr Aspin wants to proceed much more slowly on drafting an executive order formally lifting the ban on homosexuals in the services, and hopes to win over the military commanders by involving them fully in discussions of how such a move could be implemented.

But Senator Nunn warned the president that many of the actions needed to end the ban – such as revisions to the military justice code – lay under the aegis of Congress, not the executive branch.

Some Republican senators are also planning to introduce a motion supporting the current policy. Democratic leaders have warned Mr Clinton that he could count on no more than 30 votes against such a motion in the 100-member Senate.

Senator Edward Kennedy, who supports Mr Clinton's efforts to end the ban, acknowledged yesterday that it would take time to implement a new policy.

"It isn't a question of whether there will be gays in the military. There already are. The question is whether they have to lie about it," he said.

● Congress moved swiftly yesterday to revive the family leave bill vetoed by President Bush last year, **Jurek Martin adds from Washington.**

The measure would require companies with more than 50 employees to offer unpaid leave of up to 12 weeks a year to meet family exigencies, such as illness and childbirth. The Senate labour committee approved it easily, as it did another bill to revitalise the National Institutes of Health bill, also vetoed by Mr Bush.

Revival of the family leave bill was a Clinton campaign promise, similar to the series of executive orders he issued last Friday lifting many of the previous administration's restrictions on abortion. The NIH bill is most noteworthy for provisions facilitating the use of aborted foetal tissue in medical research.

Republicans will seek to offer alternative legislation on the family leave issue, involving the use of tax credits.

Brazil's drug companies face anti-trust action

By Christina Lamb in Rio de Janeiro

THE Brazilian government is to use anti-trust laws against pharmaceutical companies in an effort to force down prices.

Mr Paulo Haddad, economy minister, yesterday began legal processes against 40 pharmaceutical companies accused of "abusive price increases" on 150 products.

Mr Haddad claims that between March 1990 and November 1992 medicine prices increased by 613 per cent above inflation. He said one company had increased prices by 192,000 per cent compared to accumulated inflation of 26,687 per cent.

Abifarma, the association of pharmaceutical companies, says that medicine prices were under government control until last April and that they are simply making up for past losses.

The 40 companies facing legal action have not been named but are believed to include several leading multinationals. Foreign companies make up the lion's share of Brazil's $4bn pharmaceutical industry.

Mr Ruy Coutinho, head of the economic defence department, blames the price rises on the oligopolistic nature of the sector, where, for example, seven multinationals control 87 per cent of the antibiotics market. Last year he fined six multinationals $100,000 for repressing stocks to force up prices.

The companies now have 15 days to send details of their cost structures to the Justice Ministry. If it is proved that they are making "arbitrary profits" then they will have to adjust prices to levels set by the government. In the meantime the government has decided to import 260 products.

"The central preoccupation of this government is protecting the consumer," said Mr Haddad. "This is a legal and civilised way of doing so".

However, analysts fear that the attempt to control pharmaceutical prices might spread into other sectors as the government tries to contain inflation, now running at 28 per cent a month.

President Itamar Franco began the so-called "Medicine wars" in November by complaining that recent price rises, including for his own ulcer cream, had been excessive.

Mr Franco said yesterday: "These companies are more troublesome than children and when children are badly behaved we put them in play-pens."

US may change Angola stance

By George Graham

THE Clinton administration is "actively reviewing" US policy towards Angola, and diplomats believe it could soon establish full diplomatic relations with the Luanda government for the first time since the civil war that followed independence from Portugal in 1975.

Mr Venacio da Moura, Angola's foreign minister, is expected to meet senior State Department officials in Washington this week, although the precise level of the meeting has not yet been arranged.

Under the Bush administration, US patience with its long-time ally, the Unita resistance movement led by Mr Jonas Savimbi, was already wearing thin.

US officials were irritated by Mr Savimbi's refusal to accept the results of last year's elections, which they viewed as broadly fair.

Democrats in Congress have never been as convinced as Republicans that Mr Savimbi was a heroic fighter against communism, and the new administration is expected to have few qualms about abandoning Unita. Indeed, administration officials last week stiffly warned Mr Savimbi not to attack US-owned oilfields in the province of Cabinda.

However, with peace talks between Unita and the MPLA-led government due to begin in Ethiopia, the Clinton administration is expected to delay any formal move to recognise the Luanda government.

Britain faces £20bn tax rise study warns

By Peter Marsh, Economics Staff

BRITAIN faces the possibility of tax increases totalling £20bn over the next few years, according to a new report by the Institute of Fiscal Studies, a research group, in collaboration with the US investment bank Goldman Sachs.

The study says extra taxes are needed to combat the "dramatic worsening" in the UK's finances, mainly brought about by extra social security spending and lower tax income, triggered by the recession.

As a tax increase in the March 16 Budget would put at risk tentative signs of recovery, the government will probably delay any fiscal tightening until this year's December Budget, which applies to 1994-95 and is part of a new Treasury system for planning fiscal policy and public spending at the same time.

The IFS-Goldman Sachs study – called The Green Budget – says the government is likely in December to start clawing back the deficit through tax increases of £5bn to £6bn. That could be done by higher national insurance contributions and by extending the scope of value added tax.

If, over the next few years, VAT was levied on all items such as food which are zero rated at the moment, that could raise up to £11bn a year.

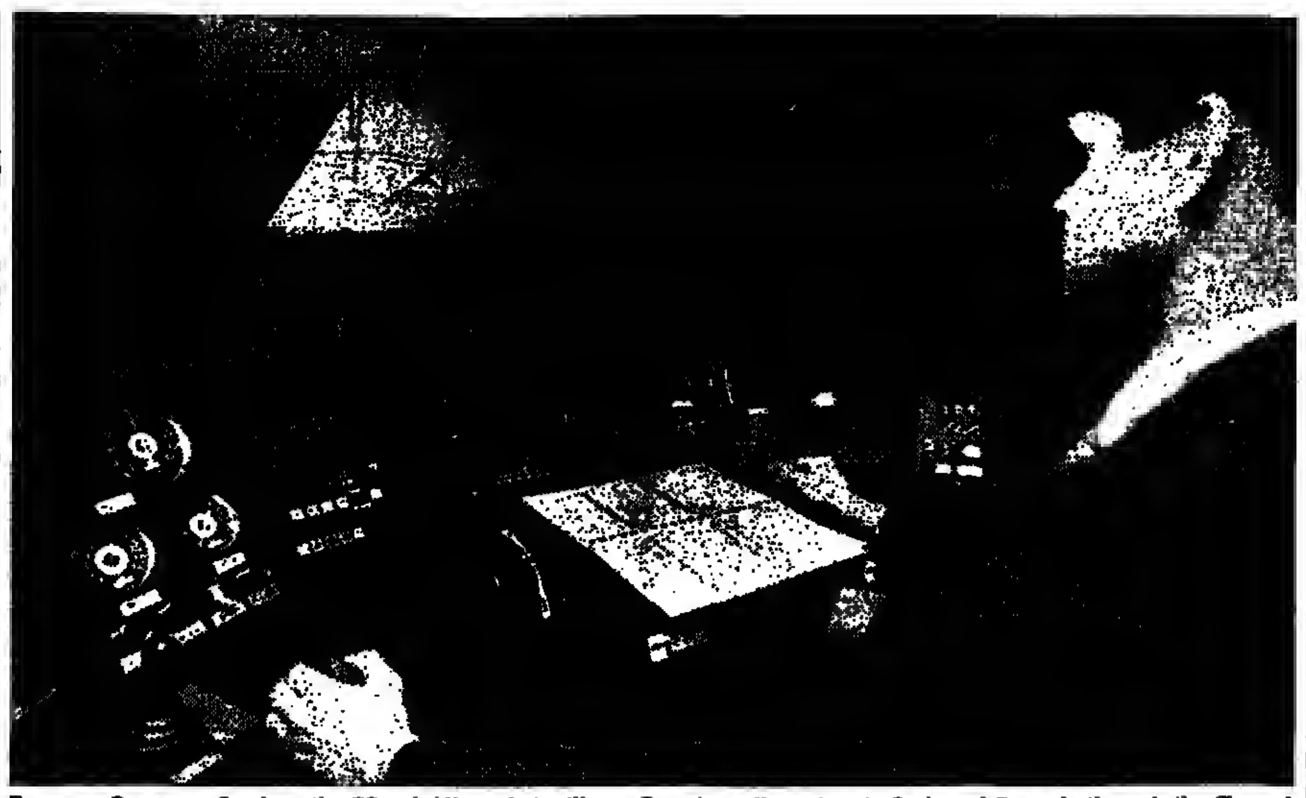
Other possibilities are for new "environmental taxes" which could apply to carbon-based fuels, higher taxes on savings such as pensions and the phasing-out of mortgage tax relief. Even though non-indexation of income tax allowances could bring in extra revenues, an increase in income tax rates is considered "politically impossible."

The study says Mr Lamont should try to stimulate a recovery over the next few months by looser monetary policy.

Once the recession has clearly ended, the government should start regaining control of public finances through tax increases phased over two or three years.

The IFS-Goldman Sachs team thinks the public sector borrowing requirement will be £38bn in 1992-3, against Treasury projections of £37bn. It may climb to about £54bn in 1993-94, significantly more than the Treasury's £44bn estimate.

Assuming *3 per cent a year* growth is achievable, the study says the Treasury should aim to reduce the PSBR to about 3 per cent of GDP by the mid to late 1990s. Because only modest public spending cuts are likely in this period, that leaves most of the "black hole" in public finances to be filled by a tax increase of 3 per cent of GDP – about £20bn.



European Passenger Services, the BR subsidiary that will run Eurostar rail services to Paris and Brussels through the Channel tunnel, has unveiled a £1.7m driving simulator at London's Waterloo station which will be used to instruct train crews

Fraud office seeks halt to Maxwell hearings

By Norma Cohen and Alison Smith

THE Serious Fraud Office has asked a House of Commons select committee to halt public hearings into the alleged theft of funds from the Maxwell company pension schemes because many of those to be called are material witnesses in forthcoming trials.

Among those scheduled to testify were Lord Walker, Lord Rippon and Lord Stevens as well as officials of Lehman Brothers International, Capel-Cure Myers and Bank of America.

Mr Frank Field, chairman of the select committee on social security, yesterday abruptly called off the scheduled questioning of Mr Basil Brookes, former finance director of Maxwell Communication Corporation, after receiving a letter on Monday from the Serious Fraud Office.

The SFO explained that MPs were likely to question witnesses about matters that the SFO itself was pursuing in criminal proceedings.

So far, Mr Maxwell's sons Kevin and Ian, plus Mr Larry Trachtenberg and Mr Robert Bunn have been charged in connection with the alleged theft of more than £440m from the pension schemes.

Some select committee members privately expressed frustration with the request, but said they would have little choice but to co-operate.

MPs are concerned that those charged in connection with the theft may try to claim that adverse pre-trial publicity prevented them from getting a fair hearing.

Banking ombudsman scheme to cover small businesses

By John Gapper, Banking Correspondant

THE BANKING ombudsman scheme is to be extended to cover complaints from small businesses, Mr Norman Lamont, chancellor, anoounced yesterday as he disclosed that a survey had cleared banks of failing to pass on cuts in base rates.

The Bank of Eogland survey, which found that average loan margins had "hardly changed" since June 1991 although fees had risen by 5 per cent, was welcomed by banks but criticised by the Labour party.

The Bank survey found that 61 per cent of small business loans linked to base rates fell exactly in line with the 4.5 percentage point cut over the period. Margins widened on 30 per cent of loans, and narrowed on 9 per cent of them.

Mr Lamont has agreed with the British Bankers' Association (BBA) to extend the ombudsman scheme to cover complaints of maladministration from incorporated business with a turnover below £1m. Banks initially resisted this suggestioo.

Mr Lamont said be welcomed the confirmation of cuts in loan margins but said the extension of the scheme – which until now has covered only personal customers and non-incorporated businesses – would provide "an independent view".

Sir Nicholas Goodison, president of the BBA and chairman of TSB Group, said banks had been concerned that Mr Laurence Shurman, banking ombudsman, would be asked to adjudicate on matters of "commercial judgment" such as loan margins, bnt they were happy at the final terms of reference.

Mr Gordon Brown, Labour's chief finance spokesman, said the largest four banks had increased charges by £1.5bn in 3½ years, and the chancellor had been a "pushover for the banking establishment".

Mr Brown said the report offered "no comfort at all to thousands hit by bank charges, high margins and overcharging".

Its "minimalist recommendations" showed the government dragging its feet in the face of complaints, he added.

The banking ombudsman scheme is funded by banks, and last year received 10,109 complaints – an increase of 60 per cent on 1991. The ombudsman's council said it hoped for "an early start" to new arrangements after it recruited staff.

Mr Derek Wanless, chief executive of National Westminster Bank, said his bank had considerably strengthened its internal complaints procedures in the past 18 months, and he did not think the ombudsman would face a wave of complaints.

Britain in brief

Bull group set to win £100m order

An initial contract expected to lead to a £100m computer order for the British army has been awarded to a consortium led by Bull Information Systems, UK subsidiary of Groupe Bull of France.

Bull won the £1m trials contract against two other consortia, one led by Hewlett-Packard and including British Telecom, the other led by computer services company EDS-Scicon.

The Unicom system will provide the army with an integrated computer network for the administration of personnel, training, pay, catering, stores and equipment. Leading sub-contractors are Northern Telecom and the Logica software group. Trials are to be held next year, and the full system is scheduled to be in place by 1997.

Wider role for defence agency

The Defence Research Agency, which runs the four armed forces research establishments, is to become a trading concern from April 1.

The DRA is the ninth government executive agency to become a trading fund, required to manage its finances much more like a commercial company. It faces increasing competition for the research work it carries out for the Defence Ministry.

JCB loader Europe-bound

J C BAMFORD Excavators (JCB), the largest UK-owned earthmoving equipment maker, yesterday made its long-awaited entry into the European market for skid-steer loaders with the launch of the JCB Robot.

The move by JCB, one of the UK's most successful privately-held engineering groups, is a significant development in the European market for skid-steers – compact machines which can be used for a variety of light engineering work. JCB is known to have been considering entering the skid-steer market for a decade. Total European sales surged from 3,600 units in 1985 to about 10,000 in 1992.

Safety drive cuts lost ships

Pressure from insurers on owners of older ships to improve safety standards has led to a reduction in the number of ships lost at sea, claim marine underwriters.

Figures issued by the Institute of London Underwriters (ILU) show that 111 ships were lost in 1992, compared with 182 in 1991 and 144 in 1990. Tonnage lost fell to 1.08m tons, compared with 1.74m in 1991 and 1.36m in 1990. The total cost to insurers will exceed $500m, though final figures are still not available.

In its annual commentary on the marine insurance market, the ILU said this reflected a vigorous campaign by insurers against "older, unsafe tonnage." Underwriters had begun to discriminate against "sub standard" ships by making insurance dependent on owners carrying out structural surveys and implementing recommendations.

London council cuts pensions

Westminster City Council is set to cut the pensions of 600 former employees, on the grounds that existing payments are too generous under the law.

One-in-six of Westminster's pensioners will be deprived of an average of £750 a year, about 15 per cent of their pension. They were nearly all made redundant at age 50 or above within the past five years, mostly as a result of restructuring or competitive tendering of services. The cuts are expected to save the council's superannuation fund £450,000 a year.

On the basis of advice from lawyers, Westminster believes pensions paid under the redundancy package exceeded those prescribed by the law.

Gilt-edged traders 'furious' with Bank

By Peter Marsh, Economics Staff

LEADING gilt-edged market makers clashed with the Bank of England over the timing of yesterday's cut in interest rates. They allege this caused disorderly conditions in the gilt market and cost them about £35m.

The market makers are a group of about 20 big international investment groups. The four biggest are SG Warburg Securities, Greenwell Montagu, UBS Phillips & Drew and Barclay de Zoete Wedd.

The groups are upset that the rate cut came just before today's auction by the Bank of £2.5bn of 8.5 per cent Treasury stock maturing in 2007.

Ahead of the auction many market makers had already sold, at relatively low prices, large quantities of the stock to clients such as pension funds.

The investment groups were dismayed that yesterday's events, which triggered a 1 point jump in gilt prices, will leave them having to buy at the auction from the Bank stock at significantly higher prices. That seems likely to leave them with a net loss of about £25m.

There was particular concern in the market that the Bank's move in cutting rates, made in accordance with instructions from the Treasury, may have soured the relationship with the market makers ahead of a big programme of gilt issues. In 1993-94 the Bank will probably need to issue £1bn of gilts a week to pay for Britain's large public sector deficit.

One market maker said: "There is unmitigated fury in the market. The Bank may have cause to regret its action. If you want to sell newspapers, you don't shoot the news vendor."

The Bank said: "There is no way we can guarantee not to cut interest rates the day before an auction. Market makers know that being part of the gilt market means they have to contend with a certain amount of risk."

■ Speculation over pound's value ■ Retailers and industrialists welcome move ■ Lenders react cautiously

Money markets surprised by scale of base rate cut

By James Blitz, Economics Staff

THE POUND sank by more than 3 pfennigs yesterday, bottoming out at DM2.42 after currency markets reacted with surprise at the scale and timing of the cut in British base rates.

The question now on the mind of currency dealers, treasury managers and British politicians is whether the pound will sink even further against the D-Mark and US dollar.

Most foreign exchange dealers had been expecting a cut in UK base rates before the March budget, in the wake of last week's very poor figures for unemployment and retail sales.

Mr Paul Chertkow, head of research at UBS Phillips and Drew in London, believes that the pound will fall to the critical level of DM2.40 against the D-Mark within the next week, and may test the all-time low against the D-Mark of DM2.3683.

He believes the pound's fall will be checked if the Bundesbank cuts short-term interest rates in the next few weeks – a move that would make the German currency a less attractive short-term investment compared to other European currencies.

There are doubts, however, over when – and by how much – the Bundesbank will cut rates.

Mr Chertkow said the pound could come under heavy pressure. "In the absence of a German rate cut in the order of 200 basis points this year, the pound will go below its historic lows," he said. "You could see DM2.30 or even DM2.20."

A perception in the currency markets that there is no clear framework to UK monetary policy may also undermine the pound.

Mr Mark Brett, a currency analyst at Barclays de Zoete Wedd in London, said dealers were uncertain over exactly which economic indicators were driving policy, and by what criteria the chancellor had decided to cut rates yesterday.

"The need to get the recovery going is now the keynote of UK economic policy," he said. "But the markets are therefore drawing the conclusion that the government is prepared to see the currency drop to lower levels."

Mr David Cocker, an economist at Chemical Bank, also agreed that the vague presentation of policy by the UK authorities might undermine the currency in the short-term.

"It would be nice if we saw the government being pro-active rather than reactive," he said. "The government could, for example, have cut base rates before the unemployment figures came out last week."

Some dealers believe, however, that the pound will remain underpinned by the stronger prospect for economic growth created by yesterday's cut.

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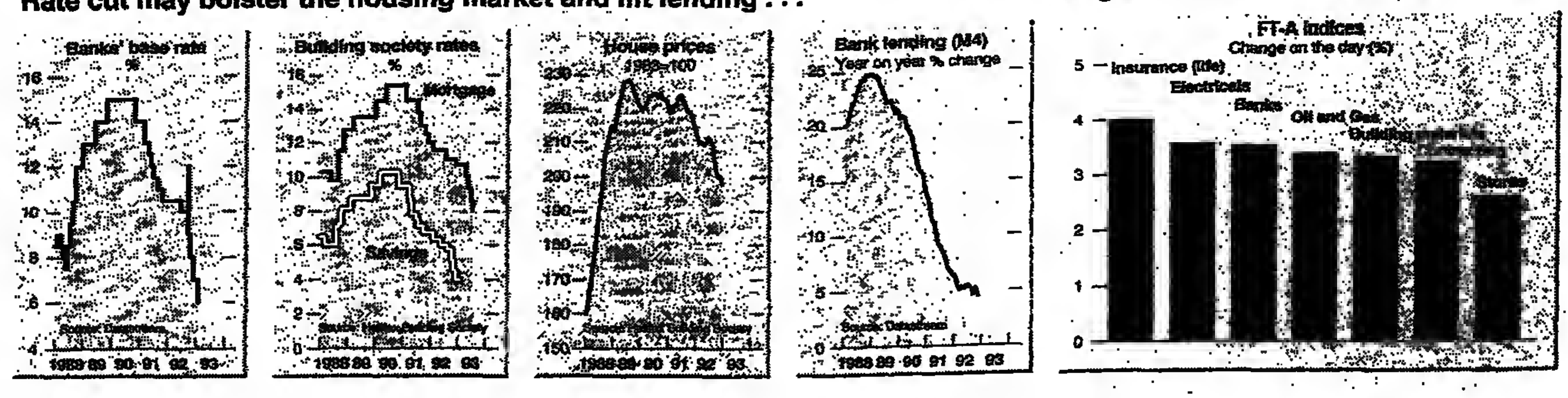
LOWEST BASE RATE FOR MORE THAN 15 YEARS

Rate cut may bolster the housing market and lift lending . . . following an immediate impact on markets



Economists doubt prospects of controlling inflation

Emma Tucker finds the delight of retailers tempered by caution

THE SURPRISE one point cut in base rates yesterday delighted retailers and industrialists but left many economists doubtful about prospects for keeping down inflation.

The reduction in borrowing rates should provide a fillip to consumer spending by easing the burden of household debt and releasing disposable income – good news for shop-owners whose sales failed to recover over Christmas.

But economists fear that further depreciation of the pound and the resulting rise in import costs will put upward pressure on inflation.

"We are very pleased with this latest cut in rates," said Mr John Clare, group managing director at Dixons, the UK's biggest electricals retailer.

"Our business has historically moved in line with interest rates and we believe that lower rates are a prerequisite for getting the country out of recession." But he was cautious about further reductions. "It is also important for us that the exchange rate is protected as far as possible, because we import a lot of products and we are starting to see prices go up."

His thoughts were echoed by Mr David Kern, chief economist at National Westminster Bank. "The news is good," he said, "but it entails a cost; higher inflation and rates back up again by the end of the year".

Mr Nigel Whittaker, corporate affairs director of Kingfisher retail group, was less concerned about the price implications of lower base rates.

"It is very good news. Even though there is some inflationary impetus from a lower pound, there is such a weak level of demand that there is some question as to whether higher import prices will get passed on," he said.

Ford of Britain, extensively criticised for raising prices by up to 10.5 per cent following sterling's departure from the European exchange rate mechanism said the pound would have to drop by "a very considerable amount further" before any more price rises could be contemplated.

Mr Ken Minton, chief executive of Laporte, the speciality chemicals group said the rate cut came too late.

"It will make the situation for our German competitors even more uncomfortable, but we won't be tempted to cut prices to gain market share," he said.

Sir Denys Henderson, chairman of ICI, said the cut in rates should improve the investment climate in the UK and be helpful to British industry in its efforts to recover from recession.

At the Confederation of British Industry, Mr Andrew Sentance, chief economist said he expected a pause in monetary easing. "This will allow time for the effects of cheaper money – base rates have fallen from 10 to 6 per cent over the last 6 months – to feed through the system," he said.

The news was greeted more sceptically by Mr Keith Skeoch, chief economist at James Capel.

"Interest rates have fallen from 15 per cent to 6 per cent and still nothing is happening. The government believes that chopping interest rates will generate a recovery, but all the polls tell us that it is fear of unemployment which is generating an impasse in the economy. Cutting rates won't necessarily help."

At Ikea, the furniture group, Mr Jeff Dolin, the finance director said he was not convinced that base rates of 6 per cent, rather than 7 per cent would make an enormous amount of difference. "It is welcome as a step in the right direction, but whether it will help our business depends on whether it is enough to stimulate the housing market," said Mr Dolin.

Savers face further squeeze

SAVERS rather than borrowers seemed to be the main concern of banks and building societies, as they reacted to the base rate cut. Instead of greeting the rate with optimistic forecasts of the effect on the housing market, lenders emphasised the consequences for savers, writes Scheherazade Daneshkhu.

Lenders which announced new mortgage rates are not passing on the full percentage point cut to borrowers. The new market rate appears to be 7.99 per cent, down from the previous industry standard of 8.55 per cent.

Halifax, the largest society, said it would be cutting its mortgage rate by just over half a point, leading to a monthly saving of £19.83 on a £50,000 endowment mortgage.

The society, which has 15m savings accounts and 1.8m borrowers, said it had given "special consideration" to its savers in setting the new mortgage rate of 7.99 per cent (down from 8.55 per cent).

Halifax will cut savings rates but was not yet ready to announce by how much. Last year, building societies took advantage of the reduction in base rates to widen margins. However, Mr John Wriglesworth, building society analyst at UBS Phillips & Drew, did not expect margins to widen much further. "Societies cannot afford to bring down savings rates by more than 0.5 per cent," he said.

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If it succeeds, Ukraine's programme of reforms will set an important example for other former Soviet republics and also elicit a sigh of relief from its eastern European neighbours. This survey by **Chrystia Freeland** and **Edward Balls**

Facing harsh realities

FOR the rest of the world, Ukraine's emergence as a fully independent state has come as a not entirely welcome surprise.

Just a few months before Ukraine's referendum on independence on December 1 1991, US President George Bush solemnly lectured Ukrainian leaders on the need to remain within the Soviet Union.

The day after an overwhelming 90 per cent of Ukrainians voted for sovereignty, former Soviet President Mikhail Gorbachev appeared on television to tell them that their ballots did not reflect a popular desire to leave the Soviet Union.

In defiance of this advice, Ukraine has quietly but firmly prevented the Commonwealth of Independent States from growing into anything more than a talking shop. At the same time, the government of President Leonid Kravchuk put muscle behind its diplomacy by winning the allegiance of former Soviet soldiers serving on Ukrainian territory, giving Ukraine the largest army in Europe to the west of Russia.

At home, Mr Kravchuk has developed a national vision sufficiently tough to secure the loyalty of fiercely patriotic western Ukraine, yet mild enough not to alienate the Russified east. By initially putting together an ideologically diverse coalition of nationalists and former communists in the capital city, he has earned for his country a reputation as one of the most stable, if least progressive, former Soviet republics.

But independent Ukraine, with a population nearly as large as Britain's and a territory the size of France, has not met with the warm western embrace many nationalist politicians anticipated in the first heady days of sovereignty. The US has been concerned chiefly with trying to bully Ukraine into giving up its nuclear missiles while western Europe remains largely indifferent.

Russia, meanwhile, has yet to come to terms with having an independent, and not necessarily co-operative, Ukraine on its western border. Negotiations over the division of military and financial assets have been tense, while Moscow became so exasperated with the Ukrainian government's refusal, under the leadership of Mr Vitold Fokin, former prime minister, to stop creating rouble bank credits that it effectively forced Ukraine to leave the rouble zone last November.

Only Ukraine's eastern European neighbours, happy at last to have a strong state separating them from Russia, have greeted Ukraine with enthusiasm. For the most part, Ukrainian leaders have been forced to draw the conclusion expressed in a recent interview by Mr Leonid Kuchma, the new and economically progressive prime minister. "We know that independent Ukraine is a bone in the throats of many countries," he said. "Many nations would prefer that Ukraine did not exist."

Kiev and the River Dneiper: Here Ukrainians accepted Christianity in 988 but since then the nation has enjoyed only brief periods of independence Picture: James Hill

A year ago, when Ukraine was preoccupied with establishing its place in the world, no one in Kiev would have dared to speak so bluntly. Ukraine today is at the same time more self-confident and more coldly realistic. As the country's economic problems have mounted, Mr Kravchuk and his romantic nationalism have faded into the background, and a team of economists and industrialists, led by the hard-headed Mr Kuchma, has taken centre stage.

The shift in power has been dictated by a shift in political focus. The concern with the attributes of independence – flags and anthems – and its guarantor – the army – has given way to dismay at the collapse in the value of Ukraine's fledgling currency against both the dollar and the rouble. The World Bank estimates that Ukraine's economy contracted by 20 per cent last year while inflation was 2,500 per cent.

After less than three months in office, Mr Kuchma – previously director of the world's largest rocket factory – has concluded that the only solution is a radical move to the market. His government tripled state food prices in December and abolished most agricultural subsidies. It is now pressing ahead with plans to commercialise state enterprises and privatise retail and agriculture sectors.

"I cannot imagine doing anything other than maintaining the reform programme and I will continue with the steps I have taken," Mr Kuchma says. "There is no other path. If someone could show me another path and say it were possible not to raise prices I would take it, but I do not think it exists."

Mr Kuchma's government has the authority to rule the economy by decree until May and has already used its expanded power to produce a stream of market-oriented decrees.

Yet, few of the really tough decisions have been taken. The real test will be whether the government can act to stop the extension of credits to struggling state enterprises; the first steps in this direction have already provoked fierce opposition from factory directors, and from workers who will lose their jobs, particularly in the eastern regions which are heavily dependent on coal-mining, and least loyal to the new Ukraine. In the short term, Mr Kuchma has the political strength to push through unpopular measures. Parliament, under pressure from its reformist chairman, Mr Ivan Pliushch, agreed in November to restrict its own right to pass economic legislation. In theory, parliament can reject any decree within 10 days after the cabinet has issued it. However, given the legislature's sluggish reaction time and Mr Pliushch's skill at riding rough-shod over dissenting voices, Mr Kuchma has considerable authority in in Kiev.

Whether the reforms will succeed depends, in large part, on whether they are implemented locally. The network of presidential representatives, created last year by Mr Kravchuk to extend his authority to the regions, is now responsible to the prime minister as well. But the reforms risk being blocked by the state bureaucrats and factory and farm directors who are profiting from the chaos in the Ukrainian economy.

The government wants to use economic reform to reduce the power of the bureaucrats and Mr Kuchma has launched a high-profile anti-corruption drive. But these vested interests will put up a formidable fight against market measures.

While Ukrainian reformers face powerful enemies at home in their efforts to find solutions to the economic problems which are at the top of this year's political agenda, the external issues which preoccupied Ukraine last year will continue to influence the government's course.

Ukraine's most important foreign relationship remains that with Russia. Last year, Ukraine's chief worry was that Russia would stand in the way of its independence drive and pursue unresolved territorial claims over the Crimean peninsula; this year Ukrainians are concerned that Russia's insistence on world prices for its oil will, in Mr Kuchma's words, result in "a complete paralysis of Ukrainian industry." Ukraine, like eastern Europe two years ago, will be required to pay a stiff price for its independence.

One solution to Ukraine's balance of trade crisis with Russia might be a western financial aid package to support Ukrainian reforms and help wean the Ukrainian economy away from its dependency on Russian oil. Yet, western aid could hinge on the outcome of the escalating dispute between Ukraine and the US over the 176 Inter-Continental Ballistic Missiles located on Ukrainian territory. The Ukrainian parliament is hesitating over ratification of the Strategic Arms Reduction Treaty (Start 1), which provides for the dismantling of all the Ukrainian missiles, in an attempt to extract security guarantees and economic aid.

America has been slow to listen to Ukraine's demands, expecting Kiev to cave in to strong diplomatic pressure. But Ukrainian leaders have yet again taken the State Department by surprise. Mr Kuchma's reaction has been to accuse America of "treating Ukraine like a puppet" and to point out that, having given Ukraine little aid, America has little leverage.

Over the next few months, America and the other G7 countries may find themselves compelled to take Ukraine more seriously, and not just because of the nuclear missiles. If it succeeds, Ukraine's reform programme will set an important example for other former Soviet republics and elicit a sigh of relief from its eastern European neighbours. If it fails, the existence of an economically collapsing Ukraine alongside a troubled Russia could imperil the security of the entire region.

■ FOREIGN POLICY

Low international profile

UKRAINE, the second most populous and powerful former Soviet republic, is a large question mark on Europe's eastern flank.

Neither the west nor Ukraine has come to terms with the geopolitical significance of this fledgling country which possesses the largest army in Europe and shares borders with four eastern European nations.

Part of the explanation for Ukraine's low international profile lies in the success of Ukraine's foreign policy. Widespread fear of overt conflict between Ukraine and Russia did not materialise.

Thanks to the diplomatic skills of Mr Leonid Kravchuk, the Ukrainian president, and the political restraint of his Russian counterpart, Mr Boris Yeltsin, quarrels over the rusting Black Sea fleet and the lush Crimean Peninsula did not erupt into a fight.

The second reason for the west's oversight of Ukraine is less commendable. As diplomats stationed in Kiev are wont to remark sadly, their governments have not yet worked out where Ukraine fits into the redrawn map of Europe.

One possibility, which senior American officials admit is favoured by some quarters in the US State Department, is that Ukraine, while nominally independent, could remain within the Russian sphere of influence.

Ukrainian leaders, however, are adamantly opposed to such an outcome. In the 176 ICBMs stationed on Ukrainian territory they appear to have found a means of compelling the west to focus its attention specifically on Ukraine.

The missiles, many of which are guarded by soldiers loyal to Kiev, are scheduled to be dismantled under the provisions of the Strategic Arms Reduction Treaty (Start 1). But, while Ukrainian leaders remain committed to becoming non-nuclear in the long run, the parliament is stalling over ratification of Start 1 in an effort to extract financial assistance and security guarantees from the west.

Ukraine's nuclear bargaining position has been strengthened considerably by the Start 2 pact with which Mr George Bush, outgoing US President, and Mr Yeltsin ushered in the new year. Without Start 1, Start 2 cannot go ahead. Thus, the international disarmament process, as well as the agreement on non-nuclear proliferation, depend upon Ukraine.

However, horsetrading with ICBMs could backfire. If Ukraine takes an overly recalcitrant stance it could earn a reputation in the west as a belligerent and immature state for years to come. Worse, hardliners in Moscow could force a Ukraine-Russia confrontation over the nuclear missiles which might compel Ukraine not only to give up the nuclear weapons without further hesitation but also to surrender some of its independence in foreign policy.

While the nuclear issue has the greatest ramifications beyond Ukraine's borders, for Kiev it is only the tip of the iceberg. Ukraine's understaffed and inexperienced foreign ministry must cope with the question of what role newly independent Ukraine should play in the world.

In the first months of sovereignty, Ukraine pinned its hopes on close links with countries such as Canada and the US, home to powerful Ukrainian émigré communities, European nations such as Germany and France, and Ukraine's eastern European neighbours.

But, as time wore on, Ukrainian leaders realised the west was in no hurry to embrace Ukraine. Kiev's focus has since shifted to the Middle East and Asia – as exemplified by burgeoning relations with Turkey, Iran, India and China – and an effort to renew economic, though not political, ties with former Soviet republics, including Russia.

Even so, relations with Russia remain a sore point. Mr Leonid Kuchma, the new Ukrainian prime minister, has – with a sharp rejection of the nationalist rhetoric of his predecessor – made a point of re-establishing trading relations with Russia, Ukraine's most important trading partner and its principal source of oil.

However, his efforts are imperilled by the insistence of some Russian leaders that working economic ties be accompanied by closer political links. This latent friction between the two Slav neighbours recently exploded at the Commonwealth of Independent States summit meeting in Minsk, where Ukraine clashed with Russia over its refusal to sign a new CIS charter which sought effectively to transform the organisation into a confederation. Ukrainian leaders fear that Russia will retaliate by cutting essential fuel supplies.

If the influence of the hardliners continues to grow in the Kremlin, disputes over the military and borders could also erupt between Ukraine and Russia.

Over the past year, the Russian military establishment has watched with impotent rage as Kiev has taken full command over the 650,000 soldiers who make up the conventional forces stationed in Ukraine and assumed administrative control over many of the strategic nuclear weapons stationed on Ukrainian soil.

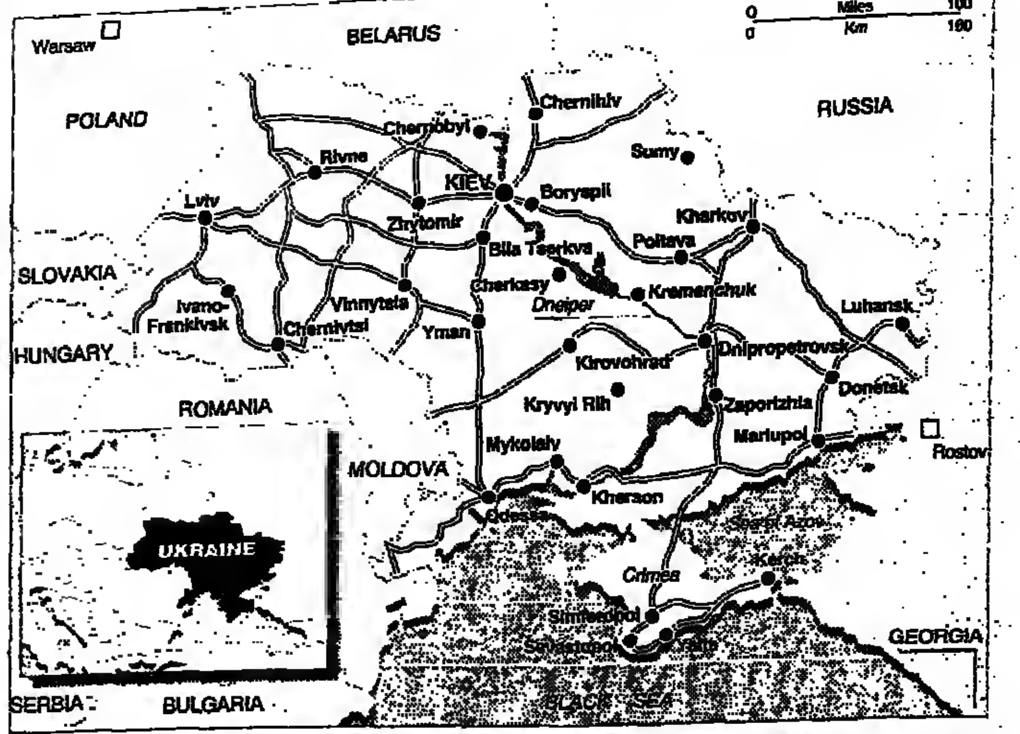
A resurgence of nationalists in Moscow could also unravel the delicate agreement reached this summer by Mr Kravchuk and Mr Yeltsin over the Black Sea fleet and, by extension, the Crimean Peninsula, which is part of Ukraine but eyed covetously by many leaders in Russia. A disagreement could also emerge over Ukraine's eastern territories, which border Russia and are inhabited by a large Russian minority. Ukraine's generous treatment of its 11m-strong Russian minority has already helped to avert conflict in these regions, but the tensions provoked in eastern Ukraine by economic reforms could disrupt the stability Mr Kravchuk has achieved with his sensitive handling of Ukrainian minorities.

Unlike their confrères in the Baltic republics and central Asia, Russians have not suffered overt discrimination in independent Ukraine. Many key government posts, including the ministry of defence, are occupied by ethnic Russians. Other minorities have also fared well: Jewish organisations say that the Ukraine government is more helpful than that of any other former Soviet republic.

Mr Kravchuk has created this relative ethnic harmony by espousing a new notion of what it means to be Ukrainian.

In contrast with the Ukrainian nationalists' emphasis on ethnic Ukrainians, Mr Kravchuk has encouraged all inhabitants of Ukraine, regardless of their ethnic background, to consider themselves fully fledged citizens of the new state.

His task in Ukraine's second year of independence will be to define the role of that state in the world at large.



■ INTERVIEW

Crooked path to reform

Mr Viktor Pynzenyk, deputy prime minister with responsibility for economic reform, talks to **Edward Balls** and **Chrystia Freeland**

Question: What are the goals and methods of your economic reform programme?

Answer: The goal of the reforms is to stabilise the economy and to create circumstances which will be favourable for its growth. But we are opposed to the view that we should have stabilisation first and then structural reform.

The lesson we have drawn from Russia's experience is that a pure monetary approach which looks very good on paper is nearly impossible to implement in an almost entirely monopolised economy. You cannot expect that with a single "big bang" liberalisation you can initiate all of the necessary structural changes in the economy.

For example, one of the most profitable sectors in the economy is metallurgy but these profits are due entirely to its monopoly position. Until we manage to de-monopolise this sector we cannot free prices.

Another problem is that there are effectively no owners of state property. Property is controlled by the directors but no-one controls the directors. This has led to very serious abuses. We have seen the slow growth of a very strong alternative economy – an uncontrolled process of free or spontaneous privatisation. Before we can stabilise the economy we must reassume control over the state sector.

Q: How will you liberalise the economy and tackle corruption?

A: Wherever you have a closed stock company you should look for corruption. So we must commercialise enterprises and transform them into open joint stock companies. We also plan to transform collective farms into open stock companies.

The other way that these enterprises will change their form is through bankruptcy. The decision we have taken to liberalise prices and end subsidies will lead to the almost immediate bankruptcy of many collective farms. Most collective farms were very positive about our decision on price liberalisation, especially the good ones because the good farms subsidised the weak farms.

The people who are opposed to it are the local bureaucrats because our decisions have restricted their authority considerably. But these days the private garden plots are the main source of food for the cities. They had a rise of 50 per cent in their production last year. Not all of this food reaches the people because the central system of procurement was not interested in using these garden plots as a source of food.

The only mechanism which can get food from the countryside to the cities is private small trade and this year we are chiefly interested in small-scale privatisation to encourage this. Already there are small private concerns which drive around the countryside buying food which they then sell in the cities.

Q: So why not just push ahead with mass, small-scale privatisation?

A: The problem is that many monopolist trading organisations have gone over to a leasing arrangement, thus preventing commercialisation of the trading system. But we plan a decree which gives the state the right to break the leasing arrangement if privatisation occurs. Then we will have established the legal basis for a move forward.

But there is another problem. When some government officials talk about the interests of the people they are talking about their personal interests. The private racket takes 10-15 per cent of the profits of the private retail stores but the state racket hands 50 per cent of state store profits to local bureaucrats. Opposition to commercialisation comes from people who have very specific economic interests which they are protecting. So before we can push ahead with commercialisation we have to take much stricter control of state enterprises.

Q: Are you going to fire the corrupt regional presidential representatives?

A: We cannot fire presidential representatives, only suggest to the President that they should be fired. But today the presidential representatives have a dual subordination [to the president and to the prime minister]. What we want is for the whole presidential administration in the regions to be dually responsible as well. If we do not manage to secure this tie between central authorities and regional authorities then our decisions will hang in the air.

Q: What is the timetable for capping credit emissions and how long will it take before we see effects on the inflation rate?

A: We are now preparing a decree which will limit credit emission to 80 per cent of our inflation targets. We expect a significant slowing of inflation only in March when the government will enact its decision to freeze the average wage and impose high taxes on enterprises which pay higher wages.

Q: Can you control inflation and meet the budget targets without western aid?

A: I think it is realistic to aim for a budget deficit of 6 per cent of GDP by the end of this year and we think we need to cover about 1 percentage point of this with western aid. There is a danger that if we meet this target then the unemployment rate will rise to 10 per cent, although in our economy there has always been a category I call the working unemployed.

What we have to do is find a balance between an acceptable level of unemployment and an acceptable budget deficit. This is a very serious problem for us which can influence the further course of the reforms and we cannot avoid taking it into account.

Q: Can you link the decommissioning of nuclear weapons to economic aid?

A: No, I do not think that is realistic. A realistic path is to implement serious economic reforms in order to attract foreign investment. No-one is going to invest here when the economic situation is so uncertain. But at the moment we are concerned about getting a rehabilitation loan from the west.

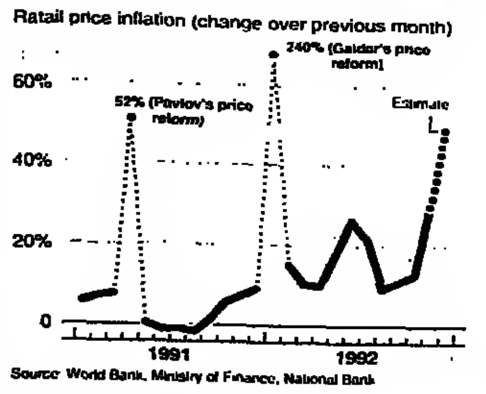
Q: How long do you expect to keep your job?

A: The government has been granted expanded executive authority for only six months and in this time we can manage to achieve only the first positive changes. Once we start implementing the economic reform programme we are always going to have to be taking corrective actions and we are going to have to change many details of our programme to make it more politically acceptable. But you have to assess our programme not on the written plan but on the actions that are taken.

We have a good saying in Ukraine: a crooked path is faster than a straight path if it avoids the bureaucrat. The straight path for us could be very dangerous but this is one of those times when we can take a crooked path. It will be faster.

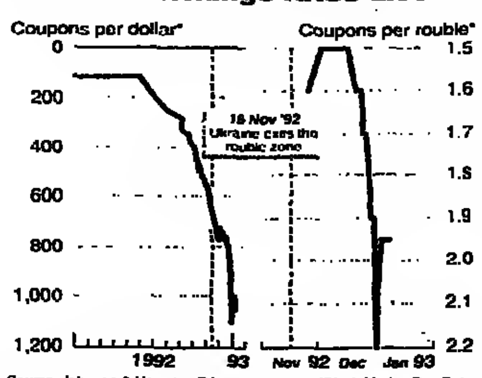
Monthly inflation accelerates ...

Retail price inflation (change over previous month)



Source: World Bank, Ministry of Finance, National Bank

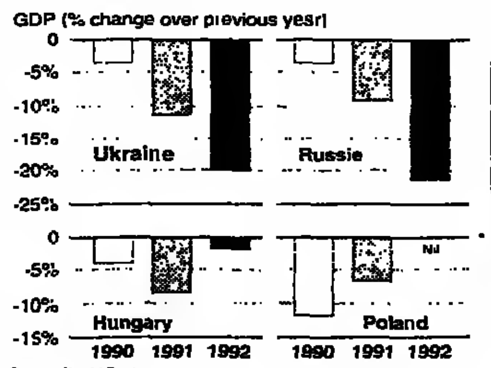
and the exchange rates dive ...



Source: Johnson & Ulsonko, Oslo. *Black Market Buy Rate

as industrial output collapses ...

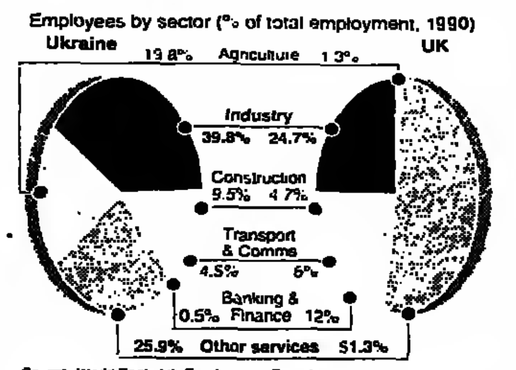
GDP (% change over previous year)



Source: World Bank estimates

in Ukraine's distorted economy

Employees by sector (% of total employment, 1990)



Source: World Bank, UK Employment Gazette

■ THE ECONOMY

March to market begins

Converting what was until recently a part of the vast Soviet empire into an economically viable economy was the most important, and most daunting, task facing the architects of the new state of Ukraine. But only recently has the march to the market economy finally begun.

The appointment of Mr Leonid Kuchma as prime minister last November, with enhanced executive authority to govern by decree, and the selection of known economic *reformers* to the cabinet, has been followed by a flurry of market-orientated *reforms*.

But *the* reformers have inherited a bleak and chaotic economy from Mr Kuchma's conservative predecessor, Mr Vitold Fokin. The collapse of the Soviet Union left an over-industrialised Ukrainian economy, dependent on military production, Russian trade and cheap oil. Months of drift and indecision have meant a reversion to a primitive combination of barter and corruption.

Not surprisingly, the arrival of the reformers has coincided with a battery of bleak economic statistics. Rising state spending, now equivalent to more than 60 per cent of total gross output, and dwindling tax revenues mean that the government budget deficit has grown to 36 per cent of gross domestic product, which is financed by credit creation.

It was the *persistent release* of these credits that provoked the Russian government to stop recognising Ukrainian-issued rouble credits last summer. This in turn led to Ukraine's departure from the rouble zone in November and effectively made Ukraine's government-issued coupons an independent currency. But the breakdown in monetary relations with Russia has left Ukrainian enterprises with *Rbs426bn in unpaid* bills from Russian enterprises, and no convertible currency in which to conduct essential trade.

The result is hyperinflation. The monthly inflation rate has risen to 50 per cent (13,000 per cent a year), fuelled for the moment by the liberalisation of state food prices in December. In the illegal currency black markets that cluster around the entrance to Kiev's main department store, Ukraine's fledgling currency has collapsed in value against both the dollar and the rouble, although the Ukrainian population remains surprisingly willing to use the coupon.

Yet while Kiev's citizens wearily go about their business, bemused by fuel shortages and rising *prices, there* is no mistaking the new mood of optimism among Ukraine's western advisers. World Bank officials have been closely involved in drawing up the government's reform programme while the International Finance Corporation, the World Bank's private finance arm, which only recently was considering pulling out of Ukraine, is now pressing ahead with plans for small-scale auctions of state property in the western Ukrainian city of Lviv.

Even the resident representative of the International Monetary Fund walks the streets of Kiev with a spring in his step, as IMF teams from Washington tour government offices in search of meaningful statistics before negotiations over a stand-by agreement can begin.

The Cabinet of Ministers' draft reform programme sets ambitious targets. By the end of 1993, Mr Viktor Pynzenyk, minister of the economy, hopes to reduce inflation to between 3 and 4 per cent a month and cut the budget deficit to 6 per cent of GDP.

One advantage of delay in starting reform is that Ukrainian officials, and their western advisers, have been able to learn from the failure of the Russian government to stabilise inflation and encourage private employment. All agree that the reformers must take steps to reduce the budget deficit, stabilise the currency and tax excessive wage increases. But the prevailing wisdom in Kiev, accepted by both Ukrainian leaders and western officials, is that budget austerity cannot work without liberalisation and privatisation.

The powerful industrial lobby, which undermined Russia's attempt to stabilise its inflation rate by demanding inflationary credits from the central bank, is also responsible for Ukraine's inflation.

The Black Sea shipyard at Mykolaiv, for example, received Rbs3bn in low interest credit over the past six months in order to pay its 25,000 largely idle workforce. This practice explains why Ukraine's output has fallen by 20 per cent over the past year but the registered unemployment rate remains only a little over 1 per cent.

Simply to cut off the credits at once, however economically desirable, would bankrupt not only industries but whole cities and regions, particularly the politically unstable eastern regions of Ukraine. The solution, argues Mr Daniel Kaufman, the World Bank mission chief in Kiev, is to press ahead with rapid small-scale privatisation, especially of retail stores, trucks and farmland, and to remove all legal barriers to the registration of new businesses in order to generate alternative employment.

This is the strategy that Mr Kuchma's government appears to have embraced, at least on paper. The government has liberalised and partially privatised agriculture, simplified the system of corporate taxes and plans to adopt mass small-scale privatisation on the Lviv model. In the meantime, it also wants to commercialise state enterprises as fast as possible but to keep potentially profitable large enterprises afloat.

"We will pay money for the conversion of the military-industrial complex," says Mr Pynzenyk,"but we will only pay these subsidies when we see a concrete programme for conversion. We want to privatise some military establishments as soon as possible, while others will simply have to close but keep paying their wages for two or three years."

Yet the real test is whether the government can face up to the many hard choices which it must make if it is to bring the budget deficit down to a manageable level. Some have have been taken, for example the introduction of means-tested welfare payments which reduced the number of recipients from 20m to 2m. But the government watered down its decision to cut food subsidies, which caused many food prices to triple overnight, by doubling the minimum wage in the face of popular protest.

Mr Kuchma has not managed to rein in this credit emission as he promised when he assumed office last November. Central bank officials say that in the last two months of 1992 there was a net emission of 100bn coupons while Ukraine's coupon currency has continued to slide on the black market. Until the government manages to stabilise the inflation rate, it dare not implement its plan to introduce a new and convertible currency, the Hryvnia.

More fundamentally, the government has made little progress in establishing an effective monetary authority or banking system with which to control credit emission and finance trade with other republics, including Russia. After two months of delay, the government has still not appointed a new National Bank governor.

"Whatever the government says it will do now, the reform programme cannot succeed without credible and stable institutions, including an independent central bank," laments Mr Oleksandr Sharov, the bank's deputy governor.

The biggest uncertainty which hangs over the reformers' prospects is whether the Cabinet of Ministers will be able to implement any of its decrees. It will face opposition from recalcitrant local bureaucrats and powerful factory directors who have assumed much power over the past year as the hand of the central state has withered, a problem that Mr Pynzenyk highlights in the interview opposite.

Still, compared to Russia, the Ukrainian reformers have some advantages, *not least* the executive powers that parliament has granted under pressure from the chairman of parliament, Mr Ivan Pliushch. "All intelligent people in Ukraine today realise that the road backwards is a dead end, *although the road* forward is steeply uphill," he says.

"But all we are doing now is consuming what we already have and crawling further into the pockets of future generations."

Moreover, Ukraine's relatively small geographic size compared to Russia, with only a third of its population, means that the government in Kiev can hope to have more power in the regions than the reformers in Moscow, especially as Mr Kravchuk's presidential representatives now also take orders from the prime minister.

"Even the best laws require a mechanism for implementation in the regions," says Mr Anatoli Kinakh, presidential representative in the Nykolayev region. "I see my role as the fulfilment of the decrees of the council of ministers."

Whether Ukraine's politicians can manage to achieve the delicate balance between a politically acceptable level of unemployment and an economically manageable budget deficit will depend on whether they can find new markets for their agricultural and industrial production in Europe and the Middle East and whether western aid materialises.

Ukrainian leaders are keen to develop trade agreements with western Europe. But to date, Ukraine has received little interest and only miserly assistance and investment from the west, although its nuclear weapons and decaying nuclear power plants could represent a significant bargaining chip and a number of World Bank project loans are said to be in the pipeline.

Mr Kuchma, while disappointed at the lack of western aid, says that the western attitude is too short-termist.

"If this government fails then the next government will be one which goes back to the old system," he says. "But the road back will be much worse."

■ AGRICULTURE

Reforms aim to free farmers

The contrast between Ukraine's prosperous farms and the sparse shelves in Kiev's state stores provides a dramatic demonstration of the breakdown of the planned economy. Ukraine's farmers are no longer willing to sell their produce to the state market now that the threat of retribution from the centre has disappeared. So the government is trying to bring the market economy to the Ukrainian countryside.

Agriculture is Ukraine's most efficient and potentially profitable export industry. Last year, Ukraine's farms produced 39m tonnes of grain, despite a mild drought. But the Ukrainian government, once responsible for 25 per cent of grain production in the entire Soviet Union, was forced to import 3m tonnes of grain last year to make up the short-fall in its 17m-tonne state order.

Ukraine's new reform-minded government hopes that the agricultural sector will be the first to reap the fruits of reform and shake up Ukraine's 8,000 collective farms, many of which are inefficient and inert. It has abolished subsidies for almost all agricultural products, raised the food prices in state stores by 300-500 per cent and is preparing a package of agricultural reforms which aim to free farmers to sell their produce at market prices and dismantle the system whereby the state provided farms with all of their inputs.

The plan, intended to erode the power of Ukraine's vast agricultural bureaucracy and bankrupt the most inefficient farms, is political risky. But Mr Viktor Pynzenyk, minister for the economy and architect of the government's overall reform programme, is confident that the government can succeed in implementing its agricultural package.

A decision to continue the old practice of setting a target for government grain purchases, with the official "state order" for 1993 pegged at 13 million tonnes, illustrates the reformers' technique for evading criticism by conservatives. On the face of it, no single measure could be more threatening to reforms because it is the state order system which has been used to force farmers to sell to a single monopoly purchaser – the government.

But, as Mr Pynzenyk explains, officially perpetuating the state order system is a cosmetic effort to appease political opponents of reform. While the state order will exist on paper, farms will be able to fulfil their state order by selling their grain anywhere, including for export. "The state order is just a formality, a formal sacrifice we are making to some of our bureaucracy," he explains.

The system of central state orders and subsidies may be the main reason for the relative inefficiency of the agricultural sector. But those farms which have begun to free themselves from state control have a long way to go.

For more immediate and dramatic results, the government is focusing its attention on giving plots of land to its citizens

The 40 Years October (as in "October Revolution") collective farm, in the village of Ustynivka about 70km south of Kiev, is one of the more progressive collectives in the region. The 2,000ha farm, which employs more than 500 people, began a co-operative venture with ICI nearly a decade ago. It sold only 70 per cent of this year's crop to the state, and is trying to sell more of its output independently. Small meat and vegetable processing factories have been set up on the farm to give it independence from the monopolistic state food processing industry.

Chemicals bought from the west have boosted grain yields to nearly double the Ukrainian average. Mr Vasyl Vasylenko, the chief economist, welcomed the government's price liberalisation. The old system of state-controlled food prices, coupled with the sudden increase in Russian fuel prices to world levels, made milk and meat production loss-making activities and forced 40 Years October to cut its dairy cattle herd by 100 head last year.

But Mr Vasylenko will be less pleased by other reforms that the government is planning to implement. In recent years, as the hand of the state has withered, farms such as 40 Years October have converted themselves into closed joint-stock companies dividing the farm into non-tradeable shares owned by the former collective farm members.

In practice, this has allowed farm directors throughout Ukraine to assume control of the assets, according to research by Mr Simon Johnson of the Fuqua School of Business at Duke University and Ms Zanny Minton-Beddoes of Harvard University.

The government plans to compel the 50 per cent of collective farms which have become closed stock companies to convert to open joint-stock companies so that workers can trade their shares and inefficient or corrupt directors can be replaced.

For more immediate and dramatic results, the government is focusing its attention on giving plots of land to its citizens, similar to those which collective farm members have always possessed. More than 13m citizens now farm these smallholdings. The loosening of state controls in 1992 triggered a 50 per cent increase in the output of these plots which now provide nearly a third of total agricultural production.

Earlier this month the government passed a decree giving the cultivators of private plots full ownership of their land. It is now seeking to increase the size of the garden plots. "These garden plots are the main source of food for the cities" says Mr Pynzenyk.

In Ustynivka, the importance of the garden plots to the general health of the Ukrainian economy is evident. In the 0.6 hectare garden plot behind her immaculate, white-washed house Mrs Paraska Mykhnenko, a retired member of the 40 Years October collective farm, feeds an entire extended family.

With her pigs, cattle, chickens, turkeys and vegetable garden, Mrs Mykhnenko supports herself and her husband, her daughter and grand-daughter and the family of another daughter who lives in Kiev.

"We always gave her almost all of her food," Mrs Mykhnenko says of the daughter in Kiev. "But earlier, she was reluctant to take it. Now, with the very high prices, she takes everything we give her. It is harder to live in the city. Here we do not feel the crisis. We grow everything we need."

■ PROFILE: Ukrainian entrepreneurs

The power of sausages

THE sncess of the Kyryshko brothers, a trio nf bearded giants, each 6ft 6in tall and weighing in at more than 250lb, is nne of the most hopeful signs that 70 years of Soviet rule has not snuffed out the entrepreneurial instinct of the Ukrainian people.

From their home base in Bila Tserkva, a provincial city 100km sonth nf Kiev, the three brothers have built np a food processing empire which achieved a turnover nf $1m and 1.5bn roobles in 1992.

The biggest obstacles the Kyryshkos face are the endless changes to Ukrainian law and the breakdown in trade with the former Soviet republics. The collapse of the inter-republican banking system, and the difficulties of trying to pay for raw materials with Ukraine's new currency, have persnaded the Kyryshkos to revert to barter in almost all of their trade ontside Ukraine.

"We prodnce sausage" explains one of the brothers, Mr Ivan Kyryshko, "and in the uncertain economic conditions of our country, sausage is better than money."

To obtain glass jars fnr his vegetable canning factory last year, Mr Kyryshko was forced to journey to the distant forests of Siberia in order to hny lumber in exchange for sausage and a cash payment. The lumber was sent to Kazakhstan, so that steel conld be made and shipped to Tiumen so that caustic soda could be sent to Kiev where Mr Kyryshko's glass jars were prodnced.

Building on the power nf sausages, the Kyryshkos have created a business which has a staff of 175 and an additional 150 part-time workers. The brothers have a contract with farmers in the sonthern Ukrainian region of Myknlaiv – chosen because the land there has not been seriously affected by Chernobyl – to prodnce vegetables for their canning factories and feed for their 2,000 cattle and 600 pigs.

Altogether Mr Ihor Kyryshko, another brother, says the bnsiness prodnces as mnch meat and vegetables as the entire Bila Tserkva region.

The Kyryshkos also operate a textile factory, have shares in a leading Ukrainian bank and commodities exchange, and own three Ukrainian newspapers, a local TV station and a volleyball team.

The Kyryshkos bring a religious zeal to business. "I only found real personal fulfilment after perestroika, when I could hecome a husinessman," says Mr Ihnr Kyryshko.

This attitude seems to be shared by the Kyryshkos' employees. Mr Serhii Kasianov, manager of the Kyryshko canning factory where 36 wnrkers prodnce 8m cans a year, explained that he has developed a new work ethic since he left his job at a state canning factory, not surprisingly as his salary is now triple the sverage Ukrainian wage.

Despite the many frustrations that Ukraine's fledgling entrepreneurs face every day, the Kyryshkos are cantiously optimistic about Ukraine's reform-minded government. They describe Mr Leonid Knchma, prime minister and himself a former factory director, as a man who can get things dnne.

Businessmen are the people who should be running Ukraine, in the view of Mr Ihor Kyryshko, who does not rule out a political career for himself. "If not us then who?" asks the man whom Ukrainian newspapers hava dnbbed "The Capitalist of Bila Tserkva."

■ PROFILE: Western investors

A rash of difficulties

WHEN Tambrands, the US tampon company, first began tn make their cotton products in Ukraine, back in 1989, tampons were as unfamiliar to Ukrainian women as a market economy. Today, billboards featuring slightly plumper gymnasts than might appear in a western magazine advertise tampons nn the streets of Kiev and television viewers are blitzed with commercials.

But if Tambrands, the first *Fortune 500* company to begin manufacturing in Ukraine, has found a ready market, it has also enconntered a rash of difficulties since it began producing tampons with 36 employees at a plant 20 kilometres nutside Kiev on March 8, International Women's Day.

Four hundred employees now produce 14m tampons a month at a brightly-lit, spotless plant in the town of Boryspil. Seventy per cent of production is sold within Ukraine, but the plant also exports to eastern Europe and the UK. Tambrands plans to increase production to about 250m tampons a year, still only about 2 per cent of the potential market.

Mr Terry Manniex, the British plant director, has been pleasantly surprised by the high quality of the Ukrainian workforce, recruited locally and attracted by an average wage of 18,000 coupons a month, more than doubla what they could earn in Ukrainian factories. Tambrands is using part of its locally-generated funds to build 104 high-quality apartments for its workforce.

"I am very surprised that there are not more companies producing here," Mr Manniex says. "The skills of the local people are excellent."

But the management of Tambrands Ukraine has been faced with a double-headed problem: the challenges of doing business in a crumbling post-Soviet economy and the additional obstacles created by governmental mis-management, both of which combine to make it difficult for the plant to do more than cover its running costs and service its debts.

"It is difficult to operate in this country", says Mr Manniex, who is scheduled to leave later this month when the factory will be turned over completely to Ukrainian management. "Every day there are little surprises."

Tambrands Ukraine started out in 1989 as Femtech, a joint venture formed by Tambrands' wholly-owned British snbsidiary, Tambrands Ltd, and GPU, the Ukrainian pharmacy monopoly. The arrangement floundered when GPU was disbanded by the Ukrainian government and Tambrands was forced to buy nut its Ukrainian partner and replace the joint venture with a western-owned company, Tambrands Ukraine.

Tambrands, like all other western investors in Ukraine, initially enjoyed a two-year tax holiday. This has now run out and the company has been subjected to the same irrational and fluctuating taxation system which has crippled many Ukrainian enterprises.

The plant is also vulnerable to an erratic supply of electricity and water and has had painstakingly to educate Ukrainian producers in order to obtain the qnality product Tambrands requires.

A further reason why more western companies have not been tempted to set up manufacturing operations in Ukraine may be the sort of difficulties which the political convulsions in the former Soviet Union have created for Tambrands.

Ukrainian government officials say that when Vneshecon-ombank, the Soviet bank for foreign economic activity, retaliated against Ukraine's declaration of independence by freezing all Ukrainian accounts, Ukraine lost more than $1bn. Some $1m of this belonged to Tambrands.

More damaging still for Tambrands has been the disintegration of the rouble zone. The initial concept behind stepping up production in Ukraine was to buy all inputs domestically, using the proceeds from the sale of finished tampons.

Since Ukraine's withdrawal from the rouble zone last antumn, this scheme has fallen apart because Tambrands' suppliers of cotton in Uzbekistan will not accept Ukrainian coupons as payment. This has forced Tambrands to experiment with the same complex barter arrangements which take np so much of the energy of Ukrainian enterprises.

The difficulties of producing in Ukraine have made just-in-time delivery a distant dream for Tambrands. Instead, as Mr Roman Luchkiv, the 31-year-old Ukrainian who will take over from Mr Manniex, explains, they have built a special warehouse where 74 tonnes of cotton are stored to cushion the factory against fluctuations in supply.

But there could be a light at the end of the tunnel if the Ukrainian government pulls off its ambitious market reform programme. Mr Manniex welcomes a plan by Mr Leonid Kuchma, prime minister, to make the Ukrainian currency at least internally convertible in the fourth quarter of 1993.

"The main success for us wonld be if the conpon becomes convertible," Mr Manniex says. "Then we are home and dry."

MANAGEMENT

Martin Dickson looks at how AT&T and NCR bucked the trend of failed computer marriages to form a successful partnership

The toddler begins to show promise

It was not love at first sight, but a match based on the sheer wealth of the rudely aggressive suitor. Many onlookers pronounced with relish that it would all end in tears.

Yet after 18 months of married life, American Telephone & Telegraph's $7.5bn (£4.9bn) takeover of NCR, the US computer company, seems to be shaping up rather better than the Jeremiahs predicted.

NCR and AT&T's much smaller computer business have combined their product lines and sales forces relatively smoothly, and without any evidently serious loss of customers. And whereas AT&T's old computer business lost money for years, the merged entity is modestly profitable.

Nor is there any of the rancour which critics feared could linger between the two companies in the wake of AT&T's hostile bid.

However, these are still very early days and the combined business has a long way to go to justify the $7.5bn paid by AT&T or the strategic thinking behind the takeover – that the convergence of computer and telecommunications technology will give a competitive advantage to a company which successfully combines both skills in-house.

Still, the progress so far does point up some lessons for the management of computer sector mergers, which in the past have proved difficult to execute, either because of differences of technology, making it hard to put customer bases together, or of corporate culture.

Four main factors have helped overcome such potential difficulties: the way in which AT&T approached the takeover; the technological similarities between the two companies; the compatibility of their product mixes and customer bases; and the execution of the merger.

Arguably most important was AT&T's decision from the outset of the bid that, although it would be acquiring NCR, it wanted NCR to be in the driving seat as the computer operations of the two companies were merged.

There were very good reasons for this. NCR, the fifth largest computer manufacturer in the US, was a large and reasonably successful business. Founded as National Cash Register in Dayton, Ohio, in the late 19th century, it had expanded far beyond its origins in retail sales tills into general business information systems, though its slowness to move from electro-mechanical to electronic equipment in the 1960s and 1970s had left it in the second rank of computer companies.

However, at the time of the bid, *NCR had just started introducing a* new product range which correctly anticipated a move by the industry towards open systems, which allow computers made by different manufacturers to operate together, rather than proprietary products, which lock the customer into one company's products.

By contrast, AT&T's computer operations were only founded in the mid-1980s, were much smaller and were awash in red ink. AT&T essentially handed this business to NCR and said: "Take what you want, discard the rest, but make sure you keep customers happy and are profitable."

Charles Exley, the NCR chief executive who headed the fight against AT&T, left the company when the bid was successful but his place was taken by another NCR executive, Gilbert Williamson, the former president. AT&T's clear-cut approach to the post-merger power structure meant, he says, that there was no waste of energies discussing "who's going to sit in the corner office".

NCR only took on about 2,000 of AT&T's 7,500 computer staff and AT&T formed a special unit responsible for redeploying the discarded employees elsewhere in the group.

As a result, NCR did not become bogged down in politicking or administrative minutiae and could remain externally focused, concentrating on the *critical tasks* of combining product offerings and reassuring customers that they would continue to be served properly.

In so doing, it was helped by the fact that both companies were pursuing the same technological strategy of open systems based on Unix, the computer operating system devised by AT&T, with microprocessors manufacturered by Intel.

The two companies shared a belief that the future of the industry lies in what Williamson likes to call the *"new way of computing"*. Apart from a commitment to open systems, this involves computer power being distributed by networks across an enterprise, using many small desktop machines, rather than being centralised in a *mainframe computer*.

Transition teams, involving people from both companies, began integrating the product range the moment the takeover was clinched, and three months before the deal was legally consummated.

They found there was a lot less overlap than many had expected. Take, for example, network interface boards, the peripherals which allow a computer to connect to local and wide-area networks. There was only one serious conflict among 36 products made by the two entities.

Nor was integration of the sales force too difficult, since the two companies had different areas of strength. NCR was particularly well placed internationally (some 60 per cent of its revenues came from outside the US) and in finance, retailing and state and local government: AT&T was essentially North American and better represented in telecommunications, transport, manufacturing and the federal government.

Culturally, too, the two businesses were a relatively good fit. Both were members of the eastern business establishment, but both had been through big shake-ups in the recent past. AT&T, once a slow-moving, paternalistic bureaucracy, was turned into a more profit-oriented operation through a restructuring in the late 1980s.

Since the merger, AT&T headquarters has largely left the computer business to run itself, though NCR has been been exposed to AT&T's business methods by representation on the parent company's management committee and numerous cross-business initiatives.

But while the combined business is reporting profits, these are modest and are partly dependent on NCR's two large non-hardware businesses – computer services and business forms.

Moreover, while NCR is faring reasonably well in a depressed computer market, it still seems less dynamic than some of its most direct US competitors, such as Hewlett-Packard, which has been enjoying double-digit revenue growth.

Nor is it clear how strongly NCR will grow when the US and European markets recover. Its areas of greatest strength, cash registers and banks' automated teller machines, are mature although the link-up with AT&T will help it introduce more sophisticated offerings, such as an ATM which identifies customers by voice, rather than the numbers punched on a keyboard.

Significant growth is likely to depend on gaining market share in the ferociously competitive general business computer market, and on using the AT&T link to provide both innovative products and distinctive ways of solving clients' computer networking and communications problems.

NCR now has one of the industry's broadest product lines, which is compatible across the range and fully dedicated to open systems. Elton White, the company's president, reckons AT&T has given the company much stronger networking products.

However, open systems by definition allow customers to pick and choose equipment from the cheapest manufacturers or those who are fastest to market with new products, and neither AT&T nor NCR have traditionally been known for strength in these areas.

Moreover, some of the greatest profit opportunities in computer networking come from providing software. Many industry analysts feel NCR still lacks muscle here, though company officials argue that AT&T's celebrated Bell Laboratories may add to their strength.

Even less certain is how far AT&T's telecommunications businesses and NCR will take advantage of the convergence of the two industries. Williamson says six cross-business initiatives set up after the merger have produced some early results, and he is enthusiastic about the potential. He insists that this depth of co-operation could not have taken place in an alliance between two separate businesses.

The proof will come in the form of new products. The company is promising to unveil the first "computing telecommunications" product next year and Lee Hoevel, who heads the technology and development division, says NCR can spend three to five years just "strip mining" inside Bell Laboratories, "going after ore that is already there, buried by a small layer of dirt of disuse".

"As mergers go, so far so good," says Bob Allen, chairman of AT&T. "We've done better than most people expected, but the jury's still out. It's probably going to be five years before people can look back and say this made sense."

An article on AT&T's wider strategy appeared on the Features pages yesterday.

Blow for passive smokers

The US Environmental Protection Agency's recent classification of second-hand cigarette smoke as a first-class carcinogen is prodding many US companies to reassess workplace smoking rules. The judgment makes employers which do not ban smoking more vulnerable to lawsuits.

The EPA ruling blamed passive smoke for 3,000 lung cancer deaths a year in the US. New federal regulations, to be issued as a result of the EPA report, could soon make it mandatory for companies with more than 10 employees to prohibit smoking at the workplace altogether.

Such regulations would mean the end of employee smoking rooms. "Because the smoking room uses the same ventilation system as other offices in the building, it doesn't provide enough protection to non-smokers," said Fran Dumelle, deputy managing director of the American Lung Association.

Many US companies have already banned smoking, and groups of smokers can increasingly be seen huddled outside large office buildings.

Concern over smokers traipsing out of doors in inclement weather has prompted some of the more innovative companies to erect external "smoking shelters". They look like bus shelters and shield smokers against rain, wind and snow.

The ALA also recommends that companies offer "smoker sensitivity training", which explains to non-smoking employees how difficult it is for smokers to quit.

Many employers also adopt a series of motivational programmes to encourage smokers to give up. These often include support groups with worksite meetings, free counseling and discounts on nicotine patches.

Cigarette companies say the problem should be addressed in another manner. "With improved ventilation systems, non-smokers would not be bothered by people smoking," said Thomas Borelli, director of science affairs for Philip Morris.

Victoria Griffith

TECHNOLOGY

Falling victim to its own success

Germany's recycling scheme is under attack from both industry and environmentalists, says Ariane Genillard

For millions of conscientious Germans, rubbish is not just something to be thrown away these days. It is looked at closely first. If the packaging has a green dot, it goes into a special yellow bin and not into the usual black container.

Printed on 80 per cent of all packages sold in Germany – including wine bottles, food wrappings, cans and cartons – the green dot (*der grüne Punkt*) has become the most visible sign of the ambitious German scheme which aims to sort, collect and recycle the bulk of household waste.

But one and a half years after its birth, the green dot system has come under attack. Concerned that the fast-growing scheme is fostering a monopoly, the Federal Cartel Office recently opened an investigation against Duales System Deutschland, the nationwide rubbish collecting enterprise which operates the green dot system. Moreover, an increasing number of environmentalists claim the system is only a fig-leaf used by industry to avoid costly environmental investment.

Launched in mid-1990 by 600 German industrial groups, DSD was set up after parliament adopted a ground-breaking law which raised hackles in the packaging industry in Germany and the rest of western Europe. The law effectively coerces manufacturers into recovering and re-using the ever increasing quantities of packaging waste, and has been considered by the EC as a possible blueprint for a European packaging directive.

Meanwhile, member countries are trying similar systems. Last September, France set up an "eco-emballage" scheme which requires municipalities to collect packaging products already marked for sorting. So far, the scheme is in its infancy, with little sign of the French picking up the habit of sorting their own rubbish. Arthur D Little, the US management consultancy group, is devising a DSD-type organisation for the more orderly-minded Austrians.

The German law says manufacturers must ensure that, by July 1 1995, 80 per cent of all packaging is collected and that 80 per cent of this amount is recycled. There is a phase-in period: since January 1 1993, 60 per cent of glass packaging, 40 per cent of tin-plate packaging and 30 per cent of aluminium, cardboard, paper and plastic packaging has had to be collected.

The law obliged Länder (states) to choose, by January 1 1993, a nationwide waste collection and recycling system. Most Länder have chosen DSD, which is now required to extend its operations from house-to-house collection into the small business sector.

By July 1 1995, 80 per cent of German packaging must be collected and 80 per cent of this amount recycled

Set up to operate in 95 per cent of German cities and districts – not all affected households have yellow bins yet – DSD has attracted the attention of the Berlin-based cartel office with its planned expansion. "We cannot ignore the law, but we must decide the limits within which DSD should be allowed to operate," says Jürgen Kiecker, the cartel office spokesman.

DSD regards the cartel office's move as unjustified. "The law forces us to have a nationwide network and therefore operate as a monopoly," replies spokeswoman Ines Siegles. "And the Länder are now calling on us to organise the collection of packaging in the business sector. This is an extra burden for us, as it means developing a new collection infrastructure for industrial packaging."

Furthermore, she argues, DSD is a non-profit organisation. The system itself is based on the "polluter pays" approach. For DSD and the packaging industry, that means the end-user. Consumers pay an average of two pfennigs on products bearing the green dot. The money is used to cover the expenses of DSD, which collects and sorts the waste before handing it over to recycling companies. Set up by industries to ensure that waste gets recycled as prescribed by the law, DSD does not make a profit or sell the waste.

But small recycling enterprises, which depend on DSD to supply the collected waste, have been complaining to the cartel office. They claim DSD prevents competition in the recycling industry.

Small recyclers have been complaining the scheme is preventing competition in the recycling industry

DSD has a network of waste disposal contractors across the country. Run on the grounds that it is more cost efficient, the network is fostering a concentration in the waste industry. "We cannot say now if the recycling industry will also become monopolistic as a result of DSD activities. But pressure is likely to grow on legislators to ensure this is not the case," says Frank Annighofer, German-based head of Arthur D Little's European environmental department.

Those members of the recycling industry which do business with DSD defend themselves against the complaints of their competitors. They say that the large investments needed to make recycling profitable for some products, such as plastics, justify expansion.

But the capacity of the recycling industry remains below the targets set by the ambitious law. Recycling industries which were well-developed before its adoption, such as those for glass and paper, have been able to cope with the increased quantities of collected waste.

Today, some 44 per cent of the feedstock into the German paper industry is waste paper. A similar percentage applies to glass products.

For more complicated industrial products, however, where recycling is less profitable, reprocessing facilities are lacking. According to Annighofer, plastic is recycled "for political reasons". Scientifically, so little raw material is recovered that it makes more sense not to recycle plastic products.

The waste industry estimates that it will need to invest about DM7bn (£2.8bn) to build up an efficient infrastructure for all forms of waste disposal.

The law offers a solution to the under-capacity of the recycling industry, however. Classifying waste as raw material, it allows for it to be exported. About 30 per cent of the 350,000 tonnes of plastic products to be collected in 1993 by DSD (out of an estimated 1m tonnes of plastics used each year in Germany) will be exported to foreign countries, including France, Belgium, Switzerland and China.

The export of German waste has led to a series of international controversies. To ward off accusations of illegal dumping, DSD has pushed for the investigation of waste disposal contractors.

The independent German Technical Inspection Agency (TÜV) is now charged with verifying the sorting and recycling plants in Germany and abroad. It submits regular reports to DSD on incoming and outgoing materials.

But some environmentalists claim that inspection is not enough to ensure viable ecological processes are carried out. They say that waste exported to developing countries is not being recycled but dumped or incinerated instead.

"The law offers a neat way of circumventing the Basle Convention limiting the export of waste," says Michael Braungart of the Hamburg-based Environment Protection Encouragement Agency, a private institute. "It also takes incentives away from industry to invest in recycling its products at home."

But industrialists say such problems will be solved in time. "Every law opens up 1,000 questions for each waste disposal company and manufacturer," says Norbert Bohm, a director of TK Umweltdienste, the DSD waste disposal contractor for Bonn. "It takes know-how and large capital investment, which cannot be acquired overnight."

Clearly, incentives for recyclers will increase as more waste is collected. The venture's success will also depend on the public's response. Other European households could soon be treated to the sight of "Hugo the bin" and "Egon the sack", two comic characters used on German children's television to publicise the green dot.

Emission-free car shows its mettle

By Kenneth Gooding

With the big three US car makers, General Motors, Ford and Chrysler, ready to co-operate more closely on the development of an electric car, metal producers are watching developments with great interest, as electric vehicles promise big new markets for both lead and nickel.

Inco, the Canadian group, reckons that by 2000 there will be 200,000 to 500,000 electric vehicles produced each year to meet legal requirements. Given the short time-scale of the tough emission laws in California, and with other states considering whether to follow, car makers see electric vehicles as the only available technology to give immediate pollution-free driving.

To meet the challenge, the Advanced Lead-Acid Battery Consortium (Alabac) was formed in the US. Japan's Ministry of International Trade and Industry also has an electric vehicle battery programme.

With tentative plans to keep conventional cars out of the polluted centres of European cities, Fiat of Italy and Peugeot of France estimate that by 2000 there will be a European market for 250,000 electric vehicles a year.

For nickel producers, this means the search is being speeded up for better rechargeable batteries – to take vehicles further and faster, charge more quickly and need charging less frequently.

Five different types (nickel-cadmium, nickel-iron, nickel-zinc, nickel-hydride and nickel-sulphur) are under study. Competition is mainly from standard lead-acid and more advanced batteries under development, such as sodium sulphur or lithium systems.

Inco believes a new nickel market of 25m lbs to 60m lbs a year would be created; present nickel consumption in batteries is probably less than 22m lbs. Altogether, countries outside the former eastern bloc will consume about 1.5bn lbs of the metal this year.

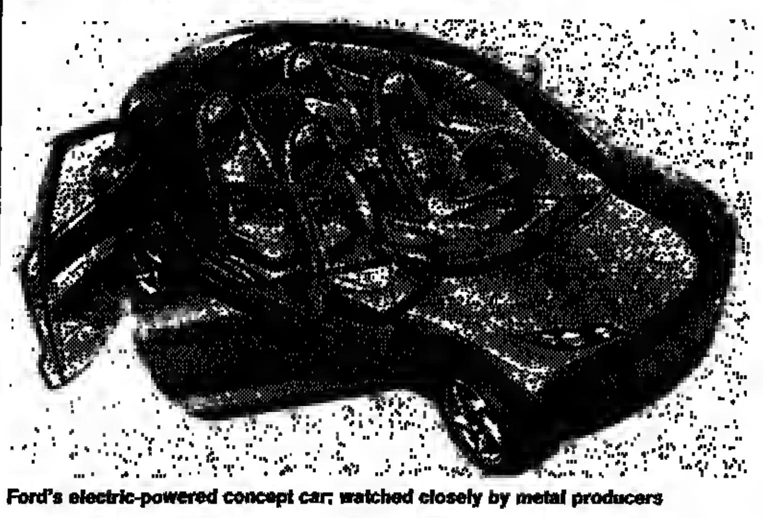
Lead-acid battery producers are also enthusiastic about electric vehicles. At the Alabac headquarters in Durham, North Carolina, experts reckon this type of battery offers the only affordable alternative to the internal combustion engine in vehicles.

"If society is to make a big impact on pollution from cars, a large number of people have to switch to electric or hybrid cars. And only electric cars with lead-acid batteries can be priced within reach of large numbers of the population," says John Sharpe, an Alabac official.

Alabac makes no estimates about future demand, but the potential for lead producers can be judged from the fact that today's conventional battery in a US car weighs between 60 and 70 lbs.

Lead-acid battery packs in an electric vehicle would weigh between 600 and 800 lbs, while there would be about 400 lbs of batteries in a hybrid vehicle. Most of the weight is accounted for by the lead content.

Today, about 5.5bn lbs of lead, or 60 per cent of that consumed, is used in batteries, of which about 1.1bn lbs is used in the production of new cars.



Ford's electric-powered concept car: watched closely by metal producers

PEOPLE

Barclays: speedy moves to and from Tokyo

Barclays Bank, which has been more severely hit than most of the clearing banks by bad loans, is for the first time apppointing a director of group credit policy. At short notice, it is bringing back one of its top men in Japan, Alan Brown, to fill the job and sending out a UK corporate finance specialist to fill his slot.

Brown, who went to Tokyo three years ago, will report straight to Peter Wood, Barclays' finance director.

Brown joined the bank from Oxford in 1968, and progressed up the clearing side before becoming a director of Barclays Merchant Bank in 1981. Before Japan he was deputy head of the corporate division.

A Barclays spokeswoman said Brown would be looking at credit policy from a strategic point of view, "not authorising individual loans, but looking at the mix and balance of the portfolio. No one individual did that before".

Before Christmas the bank confounded the City with the news that it had lent £440m to a single property developer, Imry, against which it was providing £240m, more than any UK bank had ever previously had to set aside against a loan to a single company.

BZW acknowledged that Brown's return from Japan, which under the new structure reports to BZW rather than to Barclays, was not ideal. "The timing is not what we would have decided for ourselves. We had to find someone to pick up the reins," a spokeswoman said.

Hence Callum McCarthy, who only last month had been appointed chairman of BZW UK corporate finance, goes out to replace Brown, who was in charge of corporate and structured finance, foreign exchange, money markets, swaps and options and what remains of the corporate lending business in Japan.

This is curious in so far as McCarthy, who was head-hunted in 1989 together with Graham Pinlott from Kleinwort Benson, came in to beef up the UK corporate finance client list, a task in which the two have had limited success. McCarthy had previously been an under-secretary at the DTI.

Meanwhile, BZW's securities business in Tokyo remains under the wing of Ben Grigsby, who assumes country manager responsibility from Brown.

Clarke moves to another Australian team

David Clarke, a former head of the London office of Australian brokers Potter Warburg, has joined the London arm of County NatWest Securities Australia, where he will help develop its corporate broking business.

Clarke, one of the best known figures in London's Australian broking community, is the latest in a string of Potter executives who have defected to County NatWest Securities Australia, one of the few jewels in the overseas operations of National Westminster Bank's often troubled investment banking operations.

County NatWest Securities Australia was formed six years ago around a nucleus of young ex-Potter executives who had quit following S G Warburg's decision to take a 50 per cent stake in Potter. Led by Rob Thomas and Kevin Crotty, and recently joined by Greg Burns, a top equity salesman, County NatWest Securities Australia has overtaken the renamed Potter Warburg, and now has the biggest share of institutional broking business in the competitive Australian market.

The arrival of Clarke, who had been with Potter for 24 years, is fresh evidence of County NatWest's plans to exploit its strength in Australia's secondary market by expanding its corporate broking side. Clarke's new job will be much the same as it was at Potter Warburg. He will set up a corporate and investor relations unit in London.

Professor George Bain (right), the principal of London Business School, has been appointed a non-executive director of The Economist Newspaper Ltd, publisher of one of the world's most influential business weeklies. He is the first non-executive to join the board since Sir Evelyn de Rothschild retired in July.

Bain, 53, joins the board just as the 149-year-old magazine begins its search for a new editor to replace Rupert Pennant-Rea who has been appointed deputy governor of The Bank of England. The Economist is half-owned by the Financial Times.

■ **Ewan Millar** is appointed medical director of SCOTIA PHARMACEUTICALS; he moves from Abbott Laboratories.

■ **David Williams**, formerly md of Courage Managed Houses, has been appointed md of Malden Timber, part of WICKES.

■ **Ron Campbell**, formerly md of Thorn EMI Rental-UK, has been appointed deputy chief executive of THORN EMI Rental Group; **Doug Anderson**, previously president of Rent-a-Center in the US, has been promoted to chief executive of Thorn EMI Rental-UK.

Millman: md at Merrydown

Paul Millman has been appointed managing director of Merrydown, the cider, fruit drinks and natural foods group, following a decision to split the roles of chairman and managing director.

Richard Purdey, who continues as chairman, says that the move will better serve the development of the group, now enlarged by the acquisition of Shloer and PLJ from SmithKline Beecham.

Millman, 46, joined the group as sales and marketing director in 1990 from Guinness where he had been sales manager for Harp lager. He will continue to oversee the sales and marketing department until a new sales director is appointed.

Purdey, 50, will concentrate on the group's overall strategy.

IT at Revenue

The Inland Revenue's huge computer services operation has a new chief. John Yard, 48, takes over as director of the Revenue's Information Technology Office, succeeding Geoff Bush. He will be responsible for all the IT needs of the Inland Revenue, including 2,600 staff, a budget of £250m a year and the 13 regional computer centres.

John Yard is one of the diminishing band of top civil servants who has worked his way up from the bottom of the ladder, having joined the civil service in 1962 as a clerical assistant in the Ministry of Labour. He transferred to the Inland Revenue, becoming a tax inspector in 1971 and working as a district inspector in the west end of London. In 1988, he became deputy director of operations, in charge of developing systems for the Revenue's local office network. For the past nine months he has been running a new change management group planning strategy for the department in the 1990s.

Geoff Bush remains with the ITO, concentrating full-time on the Revenue's search for a partner from the private sector to jointly develop IT in the Inland Revenue.

Sir Roderick MacLeod

Sir Roderick MacLeod, the chairman of Lloyd's Register of Shipping, died on January 22 at the age of 63. Sir Roderick became chairman and chief executive of Lloyd's Register in June 1983 and was due to retire in June this year. His successor, Patrick O'Ferrall, had already been announced.

A former joint managing director of Ben Line, Sir Roderick's career also included being a member the National Ports Council, chairman of Associated Container Transportation, chairman of British Rail Board (Scotland) and a director of British Rail Board (London).

During the last year, as chairman of the International Association of Classification Societies, of which Lloyd's Register is a member, he set up a permanent secretariat in London.

ARTS

The Royal Opera has planned a great Verdi adventure: a season-by-season conspectus of all the operas, intended to be complete by 2001. On Monday the company launched it in properly adventurous style, with the first professional British staging of a Verdi rarity.

In the complete list of his operas *Stiffelio* (*Trieste, 1850*) comes just before *Rigoletto*, and is probably the finest of all those Verdi works that continue to remain little-known – a stark piece, notably original in form and subject matter. For contemporary tastes the story must have been unpalatably gloomy. The unwilling adultery of a travelling Protestant minister's young wife has preceded curtain rise, which then reveals, in a succession of economically unfolded scenes, his return and discovery, her abasement and – probable sticking-point for an 1850 audience – eventual forgiveness.

Themes of guilt, dishonour and personal-versus-public morality are examined with a disquieting unvarnished directness of dramatic diction. As in so much "early" Verdi, the lack of wasted notes, and the sudden short spells of formulaic rum-ti-tum side by side with the composer's radical overhaul of form, are at times almost disconcerting.

For these reasons, and also because of the censorship difficulties experienced by Verdi right from the start, failure seems to have been as inevitable as it was undeserved. Once he had determined on re-making the opera – as *Aroldo* (Rimini, 1857) – into a less troublesome, though also less interesting, tale of a revenant crusading knight in 13th-century Kent, he abandoned the original. Its autograph is lost; until the Parma revival of 1968, *Stiffelio* was thought of as a marginal episode in the long epic of Verdi's compositional career.

Since then, fringe revivals and a good Philips recording have rectified the impression. At the start of 1986 the Fenice in Venice presented a series of *Stiffelio* and *Aroldo* performances (short operas, both) on a single evening: a fascinating clarification-by-comparison of the dramatic strengths of the former and the many musical enrichments and improvements of the latter.

José Carreras and Catherine Malfitano in Elijah Moshinsky's new production for Covent Garden

Opera/Max Loppert

'Stiffelio' launches Verdi venture

Now, at Covent Garden, *Stiffelio* gets what is probably its first front-rank revival in modern times. The company has risen to the task with admirable seriousness – indeed, its leading Verdian, Edward Downes, is not only conductor but editor of a new, carefully scrutinised and corrected *Stiffelio* performing edition.

The result is a remarkable occasion. The re-instatement bid has been boldly made. By ideal (no doubt hopelessly unrealistic) standards of measurement, its goal is still not entirely achieved, since the Royal Opera cast is in each of its three principal parts a notch or two under the strength implied by Verdi's extraordinarily demanding, and expressive, vocal writing.

But in Elijah Moshinsky's production (designed by Michael Yeargan, sets, and Peter J. Hall, costumes) the work's dramatic "modernity" – a quality of operatic Ibsen *avant la lettre* is so precisely evoked that everyone on stage and everything in the plot is presented in a powerfully affecting light. The production team have exchanged the Austria of the original for a bleaker location, non-specific 19th-century northern; the influence of heavy naturalistic painting styles on the material shape and dramatic focus of each scene is apt and purposeful (apart from an erratic Act 2 fighting plot).

Sobriety of demeanour rules. Small gestures betray large inner struggles; the "community ethic" is shown to be both tightly binding and terribly oppressive. In Moshinsky's treatment the great closing scene of forgiveness – musically one of Verdi's fieriest and most tautly evolved constructions – may end with a late-20th-century question mark rather than a mid-19th-century full stop, but the "woman's issue" is quietly, not crudely, raised.

This seems to me one of Moshinsky's most impressive Verdi stagings. It elicits a similar quality of plain-speaking authority from Downes and the orchestra and chorus; Monday's performance had not quite the over-arching sweep of that never-to-be-forgotten 1990 *Attila*, perhaps because the *Stiffelio* cast seemed to need much more vigilant nursing, which Downes managed with his usual unfussed mastery (the prompter likewise, much in evidence). The woozy trumpet solo that sets off the opera's curiously commonplace overture was an exception to the general rule of fine playing.

The title role comes first in the line of Verdian studies of dramatic-tenor obsessiveness. José Carreras does not carry its big guns; nor does he possess – has he ever possessed – in his operatic persona the necessary forcefulness of declamatory fire *à la* Martinelli or Vickers. This being so, it is wonderful to find him so much strengthened in voice, so determined to give every phrase and statement fullest possible measure, so *honest* at every moment.

In the finale his rapt concentration of address proves deeply moving; this is likewise the peak of Catherine Malfitano's performance. A *singer of* lustre and an actress of controlled eloquence, she works unceasingly – and often surprisingly successfully – to fill out lines intended for a much grander and more expansive category of soprano voice. Gregory Yurisich's coarse-toned delivery of the father's role was harder to accept, although he too is a presence on stage.

In smaller roles Gwynne Howell and Robin Leggate (the seducer, faintly drawn in the opera) do very well. In sum, while not the last word on *Stiffelio*, this affords the house's Verdi cycle a notable start.

Sponsored by the Friends of Covent Garden; in repertory until February 18

Television/Patricia Morison

Macho harassment, not management

After watching *Exposure*, Monday night's film in C4's *Cutting Edge* series, a lot of middle managers must be nervously wondering what might be coming their way. The fashion for executives being sent on survival courses has been around a good while now, but Monday's film showed us the fearsome reality. Cameras followed 24 managers aged 29 to 51 from Rockwater, an international underwater engineering company, as they underwent six days of purgatory devised by the grandfather of management survival courses in the UK, the notorious John Ridgeway.

Notorious yet also risible, from the first glimpse of Ridgeway on a grassy knoll in the Scottish Highlands, the autumn wind whipping at his baggy shorts as he fervently declaimed Newbolt's lines "Play up! play up! and play the game!" But if any of the Rockwater crew felt inclined to titter, they were soon laughing on the other side of their faces.

After being ordered to leave most of their gear behind, the teams of six with their hatchet-faced instructors slogged away through the rain. Hours later they *had to strip and swim* to an island where, blindfolded, they erected tents big enough only for five. One of the tents blew over in the night. Next morning, the weather forecast was terrible, which pleased Ridgeway; bad weather promotes bonding. In a 90 mile-an-hour gale the teams were told to climb a 2,500ft peak. The chap from PR collapsed halfway up and had to be hauled to the top. He was in a funk for the rest of the week . . .

Rockwater had asked for an extra-tough course, for which it paid £25,000, and no physical or mental frailty was tolerated. So you suffer from acute vertigo? You will climb a 70-foot mast! You can't swim? You will dive under the yacht! To refuse means your team loses points, and that is very wrong, and in the evening everyone will sit round in informal counselling sessions and discuss why you are such an uncooperative, non-bonding, wimp.

Pain, anger, humiliation and naked fear made for excellent TV. On the last afternoon, a somewhat staged-looking "mutiny", when the managers refused to plunge yet again into the icy sea on the grounds that it was "totally stupid", was taken as proof that the course had indeed forged excellent team-spirit. This seemed a curious conclusion. Would the same view have been taken had the managers mutinied on the first afternoon when faced with an equally stupid exercise?

The fundamental question was whether a company has the right to ask employees to submit to "an exercise in sadism", as it was described by one of the victims, a Dutchman. My heart warmed to him. Throughout the week the staunch libertarian voiced his objections to this kind of bullying, just as his stout-hearted ancestors once resisted the tyranny of Louis XIV. So what made him, or any of them, agree to take part? The chain-smoker, the American woman with a grass allergy, none of them looked the type to have commando-style fantasies.

Why should someone who performs a cerebral desk-job submit to a punishing physical and mental ordeal merely because his or her superiors (male, I bet) share a mystical belief that such an experience is especially valuable in fostering team spirit? Although the doubting Dutchman's colleagues claimed he did indeed become better to work with, that might have been no less true had they been playing croquet at Cannes all week.

We generally like others to suffer as we have done, so the fact that three-quarters of the Rockwater victims said they wanted their staff to do the course only proves why fagging survived for so long in English public schools. Ridgeway and his like may yet flourish in the so-called "caring 'nineties". Yet the thought persists that there is a host of attributes which it might be advantageous for a company to nurture in its best people; imagination, cunning, humour, patience, self-reliance, independence of thought . . . Might it not be equally valid to send managers on courses to learn to play the Welsh harp, or chess, or work with Mother Teresa? Sexual harassment may have been outlawed in the workplace, yet it looks as if macho harassment is still OK.

The last part of the three-part Assignment Special, *Europe on the Brink* (BBC 2, Tuesday) was a futuristic account of a European super-state two decades hence, at war with the North American super-state (*inter alia*) over oil-exploration in the Arctic. What was a neat enough idea perhaps inevitably turned out to be a dull and rather silly exercise easily confused with *Yes Minister*.

Thanks to her manner, which is grave and sincere, Francine Stock is an above average current affairs presenter. Unfortunately, this series suffered terribly from producer's fidgets. An examination of the deep political and economic structure of Europe, it was hardly going to offer much to gnat-brains, who would anyway have been glued to *EastEnders*. And yet, the view seemed to be that the gnat-brains would be there in force. Each distinguished talking head was duly given a sound-bite of around 40 seconds, often less. Flit, Michael Howard warning of the rise of anti-Islamic racism in Europe. Flit, Karl Otto Pöbl on his fears of the east-west gap. Minutes later and back we would flit for another weighty sentence or two.

Even worse were the musical fidgets. To accompany a steelworks, a blast of *Tannhauser*. A second or two of plain-chant for Jacques Delors meeting EC commissioners at the Cistercian abbey of Royaumont. A few bars of Vivaldi for Venice and the *bon gusto* of Benetton – part two must have sampled around 20 different composers, which was pretentious and thoroughly silly. It is nice that classical music is back in vogue, but a good deal less nice if the result is this kind of wild overdosing.

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For bad music, one needed to have watched *Gallowglass* (BBC 1). Ruth Rendell's alias Barbara Vine's thriller which ended ghoulishly on Sunday with Nina's manicured hand sticking up from the forest's ferny floor. First rule of a so-called psychological thriller has to be, find some damn' fine actors. At the centre of this drama was an epicene upper middle-class youth who had a truly *fin de siècle* obsession with a classy bloode model. She, rather improbably, he had helped to kidnap while studying art-history or the like in Italy, and then set free after a brief bout of terrific sex.

John Ridgeway: inspired pain, anger, humilation and fear in Cutting Edge's 'Exposure'

This Italian plot needed to be established by endless flashbacks, a convention rarely satisfactory on film, and *Gallowglass* proved no exception. Paul Rhys, who played the kidnapping fantasist, was decorative but never credible whereas Joe, his nerd-like accomplice, was a much better role played with some subtlety by Michael Sheen. Everyone and everything else was so-so, and no better.

On Wednesday, some twenty million people bade farewell to *Central TV's Inspector Morse*. By now, little more needs to be said about Morse, except to mourn his passing. However, since he was not mown down by one of Oxford's 9,000 deregulated buses, nor decapitated by any of the city's 19,000 ridiculous banging baskets, at least he is available to return to our screens.

A few Turcophiles will have preferred to see what *Bookmark* (BBC 2) made of Yashar Kemal. The answer was, as the Turks say, *hich*, nothing. Kemal is a wonderful, extremely enjoyable novelist, and it is baffling he was not given the Nobel prize decades ago. But no ooe could have divined as much from interminable scenes from an unnamed novel, woodenly acted hy a cast of gloomy Anatolian *villagers* who *looked as if* they would far rather have heen watching TV than making it.

Return of the 'Screw'

Since it was seen first at the English National Opera 13 years ago, Jonathan Miller's staging of Britten's Henry James opera has always commanded admiration. In this latest revival by David Ritch, nothing seems second-hand or dated. The current fascination with child abuse prompts new frissons, perhaps, as no doubt does the popular "revelation" of the composer's shy *foiblesse* for boys with unbroken voices. But the production here makes no sticky capital of those; in its (partly new) cast, it has all the capital it needs.

In David Hersey's lighting (reproduced by Neville Currier), the designs by Patrick Robertson and Rosemary Vercoe still look faultlessly apt: shadowy projections of *country-house* views upoo a quasi-Japanese structure of pale screens, castiog disoriented perspectives beyond them. In the pit James Holmes conducts his first-rate small ensemble to searching, vigorous purpose. There is no *longueur*.

As the baunted children Miles and Flora, 12-year-old Samuel Burkey again offers tight little smiles that suggest inner stresses, and Megan Davis – new to the cast, but *much* older – captures sinister pubescent mischief with uncanny success. Like their elders, they play with a subtlety rare on a big stage like the ENO's, and they sing in consistent character. Christine Bunning repeats her vampirish Miss Jessel, a delectable study in ruined allure.

Philip Langridge returns as the abuser from beyond the grave, Peter Quint, imperious and ambiguous, with a copper-coloured mane and trenchant, transparent diction. That latter virtue also makes his new doubling as Narrator a superb prologue to the piece, every word steeped in unspoken foreboding*s*. This will be no surprise to regular opera-goers, who are well aware that Langridge is now at the remarkable peak of his operatic prime; bnt interested occasionals should know that missing Langridge in a performance like this would be something to kick yourself for later.

There is a fine new Mrs Grose from Mary Lloyd Davies, who projects conviction and looks utterly to the manor born, a model of trim, homely decency. Toward the end, after her sleepless night hearing Flora's ghastly dream-confessions, I thought she looked under-harrowed – but the style of this *Turn of the Screw* does not accommodate raw scarification.

Neither did Valerie Masterson's new Governess reel much at the final catastrophe, which left her "Malo" lullaby with *less wrenching Affekt than it* wants. This well-loved soprano wields such tremulous, nerve-end poise, however, and such vulnerable beauty and frailty, as to make her already unforgettable in the role. It is her first operatic entry into Britten, and a perfect choice. On the first night, the ensembles were not yet in perfect focus; when they are, and Miss Masterson can bestride them with full dramatic authority, she will be more memorable still.

David Murray

Coliseum: tonight and Saturday, then February 2 and 4

At his peak: Philip Langridge as Peter Quint

INTERNATIONAL ARTS GUIDE

■ BARCELONA

OPERA

Micheel Hampe's Pesaro production of La gazza ladra can be sean at Gran Teatre del Licau tomnrrow, Sun, next Wed and Sat, with a cast including Leontina Vaduva and Albertn Rinaldi, conducted by Paolo Olmi. Dmitri Hvnrnstnvsky gives a song recital on Sal, followed by Gwyneth Jnnes next Thurs (412 3532)

CONCERTS

Stanislav Skrowaczewski conducls Barcelona City Orchestra in works by Webern. Creston and Strauss nn Sat evaning and Sun mnrning at Palau de la Musica. Mon: Nancy Argenta and James Bowman sing in Handel's oratorio *Israel* in Egypt, with Stuttgart Baroque Orchastra and Chamber Chorus conducted by Frieder Bernius (268 1000)

■ COLOGNE

MUSIC

Tonlght and Sat et the Philharmonie, Jemes Conlnn conducts Beethnvan's First Symphony and Mahler's Das Lled von der Erde, with Gary Lekes and Chrlsta Ludwlg. Tomorrow end Frl: Hans Vnnk conducts Colngne Radln Symphony Orchestra in symphonies by Schubert and Bruckner. Sun efternoon: Prague Chamber Orchestre. Sun avening: Alfred Brendel playe Beethoven sonatas. Mon: Gidon Kremer violin recital. Next Wed: Pater Schreler sings Die schöne Müllarin. Feb 7, 8, 9: Günter Wand conducts Brahms and Schumann (2801)

THEATRE

Heinar Muller's theatra piece A Shekaspeare Commantary npens at tha Schausplalhaus nn Sat, in a naw production directed by Gunter Krämar. The rapertory also includes plays by Strindberg and Wedekind (221 8400)

■ COPENHAGEN

***Royal* Theatra** 20.00 Peter Maxwell Davias' ballet Caroline Mathilda, choraographed by Flemming Flindt. Tomorrnw and Sat: Ariadna auf Naxos. Fri and Mon: Napoli. Tues: Lohangrin. Naxt Wed: La nnzza di Figaro (3314 1002)

■ FRANKFURT

CONCERTS

Tomorrow's Haydn and Bach programme al tha Alta Oper ia given by tha Leipzlg Bach Orchestra. Fri: Tzimon Barto piano recital. Sat: David Geringas pleys Dvořák's Cello Concerto with Brno State Philharmonic. Sat: Heinz Sauer Jazz Quintet. Sun: Scottlsh Folk Festival. Feb 4: Anne Sofie von Otter song recital. Feb 6: Alfred Brandal (1340 400). Sat at Jahrhunderthalle Hoechst: Horst Steln conducts Bemberg Symphony Orchestra in works by Fauré, Berlloz and Brahms, with mezzo soloist Marjana Lipovsak (360 1240)

OPERA/DANCE

Tha Oparnhaus has Carmen on Fri and Sun, and Ruth Barghaus' production of Der Rosankavaliar on Sat. Fab 5: new production of Jen Fabre choreography (236061). Tues at Jahrhunderthalle Hoechst: Leipzig Ballet in Haydn's Creation, chnreography by Uwa Scholz (360 1240)

■ GOTHENBURG

Kent Nagano conducts Gothenburg Symphony Orchestra end Chorus in Mahlar's Third Symphony (with Anne Sofie von Otter) tomorrow and Fri at tha Konserthuset (167000)

■ HAMBURG

OPERA/DANCE

Tonight's performance at the Staatsoper is Das Rhaingold, with a cast led by Hanna Schwarz, Hartmut Walker and Günter von Kannen. Tnmorrow, Fri, Sat: Bernstein's musical On Tha Tnwn. Sun: Die Walküre. Fab 5: Edita Gruberova song recital. Feb 7: first night of John Dew'e new production of Aida (351721)

CONCERTS

Halene Grimaud gives e song recital tonight at the Musikhalle. Tomorrow: Scottish Fnlk Feetival. Fri and Sat: Rudolf Buchbinder is piano soloist with North Garman Radln Orchastra. Sun: Hamburg Symphony Orchestra (354414)

■ LYON

Tnmorrow In Auditorium Maurice Ravel, Gidon Kremer gives a vlnlin recital accompanied by Oleg Meisenberg (7860 3713).

Feb 10-14: William Chriatie conducts Aix Festival production of Les fndes Galantes (7828 0960)

■ LEIPZIG

Gewandhaus Tonight: Michel Swierczewskl conducts MDR Symphony Orchestra in works by Siegfriad Matthus, Rakhmaninov and Schoanberg. Tomorrow: Helmuth Rilling conducts Stuttgart Bach Collegium In sacred works by Beethnvan. Sat afternoon (in Thomaskirche): Thomanerchor and Gewandhaus Orchestra In Bach cantatas. Sun: Justus Frantz directs MDR Symphony Orchestre in works by Bizat, Waber and Tchaikovsky. Next Tues: Sandor Vegh conducts Camarata Academica in works by Schubart, Bartók and Tchaikovsky. Feb 4, 5: Robert Cohan plays Elgar's Cello Concerto (71320)

■ MUNICH

● Tonight at Gesteig, Jörg Peter Weigla conducts Munich Bach Collegium In an ell-Mozart concert. Tha Gasteig programme also includes concerts by Bamberg Symphony Orchestra under Horst Steln tomorrow, Brno State Philharmonic with celln solnist David Garlngas nn Fri and Leipzlg Bach Orchestra on Sun (4809 8614)

● Giuseppe Slnopoli conducts Schumann's oretorio Das Paradies und dle Perl on Frl and Sat at Prinzregententheater, with sololsts including Barbara Bnnney and Rnbert Hale. Sun In Cuvilliés-Theater: Peter Schneider conducts first night of Diater Dorn's new production of Così fan tutte, with a cast Including Amanda Roocroft and Manfred Hemm (221316)

● Residanzthaeter has a new production of George Tabori's Grand Inquiaitor opaning on Frl. The rapertory also includes Shekespeare's Romeo and Juilet and Arial Dorfman'a Death and the Maidan (225754). The Kammerspiala rapertory includes Ibsen's Whan We Dead Awaken and Arthur Kopit's Road to Nirvana (2372 1328)

■ NEW YORK

THEATRE

● Anna Christle: Liam Neeson and Natasha Richardsnn head the cast in a revival nf the play by Eugane O'Neill, directed by David Leveaux (Critarlnn Center, Broadway at 45th St, 869 8400)

● Fnrbidden Broadway 1993: a new edition of the long-running shnw which spoofs Brnadway hits (Theatre East, 211 East 60th St, 838 9090)

● Oleanna: Devld Memet, in fina curmudgeonly fnrm, takes on political correctneee, sexual harassment and a number of othar Isms in thla brlaf, powerful drame that stire up ideologuea (Orphaum, 126 Second Ave at Eighth St, 307 4100)

● The Sieters Rosensweig: Wendy Wasserstein's new play, a comedy with serioua undertones, le about a reunlon in London of three American Jewish aiaters – en internatinnel banker, a travel writer and a wifa and mnther who is e professional dispenaar nf advice (Mitzi E Newhouse, Lincoln Center, 239 6200)

● Jally's Last Jam: the music of Jelly Roll Mnrton, salf-proclalmed Inventor of jazz, plue an unsparing portrait nf tha man himaelf (Virginia, 245 West 52nd St, 239 6200)

JAZZ/CABARET

Blue Note Greval-volced singer and planiat Dr John is In residance this week. Dining (131 West Third St, near Sixth Ave, 475 8592)

Algnnquin Hotel Andrea Marcnvicci, a skilled *vocalist*, is naaring the end of her residency in the Oak Room. Dining (59 West 44th St, 840 6800)

Bellroom A *cool*, green music hall, with adjnining tapas restaurant, which faatures a steady atream nf international pop and cabaret stars, as well as the occasinnal drag quean (253 West 28th St, 244 3005)

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Super Channel: Financiel Timas Reports 0630

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Sky News: Financial Times Reports 2030; 0130

FRIDAY

Super Channel: Europeen Businass Today 0700; 1200; 2230

Sky News: Financial Timas Reports 0530

SATURDAY

Super Channel: Financial Timea Reports 0830

Sky Naws: Weat of Moscow 1130; 2230

SUNDAY

Super Channel: Wast of Moscow 1830

Super Channal: Financial Times Reports 1900

Sky News: Wast of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Same deal as before

The Danes did not win new concessions on Maastricht

Denmark has a new government. The foreign minister has pledged himself to secure a Yes to Maastricht in the second Danish referendum on the subject, to be held probably "before June". All's right with the world.

Some moaning Euro-minnies are still muttering about the dangerous precedent set by Denmark's special "opt-outs", negotiated at last month's Edinburgh summit. Won't Conservative backbenchers try to obtain the same deal for Britain, as the price of ratification? Won't candidates for EC membership, with three of whom formal negotiations are to start on Monday, demand that the same exemptions apply to them? Isn't this the beginning of the *à la carte* union so dreaded by Mr Jacques Delors, president of the European Commission?

Much louder is the chorus of self-congratulation. Danish ministers have waxed eloquent about their success in wringing recognition of their country's special preoccupations from their European colleagues. The one thing everyone seems to agree on is that Denmark did obtain significant concessions, and that to squeeze these through without amending the treaty required ingenious legal draftsmanship.

The truth is slightly different. The reason the treaty does not need amending is that it has not been changed. The deal being offered to the Danish people in 1993 is the same one they rejected in 1992.

In popular journalistic shorthand, Denmark has been exempted from: European citizenship, economic and monetary union (Emu), joint defence and some aspects of co-operation on justice and home affairs. But to see what has actually happened, one has to read the official conclusions of the Edinburgh summit, in conjunction with the text of the Maastricht treaty.

● On citizenship, the "decision" of the heads of state and government in Edinburgh says nothing about exemption, nor about Denmark. It simply says that European citizenship does not replace national citizenship, and the latter remains a matter of national law.

In the annexed unilateral declaration, Denmark itself explicitly undertakes fully to "respect all specific rights expressly provided for in the treaty and applying to nationals of the member states". It turns out that nationals of other member states already have the right to vote in Danish municipal elections, and the declaration actually warns that Denmark "has no intention of accepting" that the Maastricht arrangements on this point "could lead to rules detracting from the rights already given in Denmark".

I suppose it is conceivable that some Danish voters rejected Maastricht last June out of fear that the existing right of foreigners to vote in their local elections might be curtailed. If so, they have been fully reassured.

● On Emu, Denmark does indeed have an opt-out from phase three (the single currency), as does Britain. But this opt-out was already contained in a protocol attached to the treaty as originally negotiated. All that happened in Edinburgh was that Denmark served notice in advance of its intention to exercise the right accorded to it by that protocol.

That notice is, of course, not irrevocable. In fact, the Edinburgh decision says quite explicitly that Denmark may "at any time... in accordance with its constitutional requirements, inform other member states that it no longer wishes to avail itself of all or part of this decision".

Moreover, the duration of the decision is governed by articles Q and N(2) of Maastricht. While article Q says the treaty is of unlimited duration, article N(2) promises a revision conference in 1996. There is thus a clear implication that Denmark's opt-out will be on the agenda of that conference.

The opt-out was already contained in a protocol attached to the treaty

● Denmark did not need to be exempted from joint defence, since Maastricht only refers to this as a future possibility. The treaty does foresee "the definition, in time, of a common defence *policy*", but leaves defence as such to the Western European Union, of which Denmark has chosen to become an observer rather than a member. The Edinburgh decision notes this, and draws the conclusion that "accordingly, Denmark does not participate in the elaboration and implementation of decisions and actions of the Union which have defence implications".

The heads of state and government also noted Denmark's intention not to exercise the presidency of the Union when matters with defence implications were discussed, and stated that in such cases "the normal rules for replacing the president, in the case of the president being indisposed, shall apply".

● On justice and home affairs, the decision says explicitly that Denmark *will* participate fully. A separate declaration points out that, although under article K9 of the Maastricht treaty some aspects of these affairs can be transferred from an intergovernmental procedure to an EC one, involving qualified majority voting, a unanimous decision is required before any transfer can be made. And it notes that in Denmark such a decision will require a *five-sixths parliamentary* majority or a referendum. But nothing in the original treaty could have obliged Denmark to adopt any such decision without going through that procedure. The essence of unanimity is that no state can be obliged to implement something it has not agreed to.

In short, all that happened in Edinburgh was that Denmark's rights under the treaty were spelt out. One may reasonably hope that the misconceptions of some Danish voters were thereby removed, and that this will encourage them to change their vote. But any claim by Denmark's leaders to be offering a new and better deal this year than last is, not to put too fine a point on it, boloney.

Larry Tisch and David Letterman made for rather an odd couple – perched alongside one another recently on director's chairs in a room on the 19th floor of "Black Rock", the Manhattan headquarters of CBS Television. Mr Tisch, the diminutive billionaire investor who controls CBS, was informing the world that he had just poached Mr Letterman, the tall, sandy-haired comedian and chat show host, from rival NBC for a salary reported to be about $14m a year.

In doing so he won a high stakes battle between two of America's four national networks. The competition between CBS, which under Mr Tisch has strengthened its management and become the top-rated network in terms of audience share, and NBC, which has fallen into the ratings cellar and seen its profitability tumble, comes at a critical time for the networks. Recession and declining advertising revenues have taken a toll over the past two years. Cost-cutting has become the new religion as the industry undergoes a bout of soul-searching, strategic rethinking and management reshuffling.

The growth of the cable television industry, as well as that of Mr Rupert Murdoch's profitable and expanding Fox network, have also combined to pose a new threat to the traditional Big Three networks – ABC, CBS and NBC. A decade ago the networks held 85 per cent of the market of 93m television-watching American homes. Today that share has dropped to little more than 61 per cent, largely because of inroads made by cable television and Fox.

Mr David Weston, a senior vice-president and general counsel at ABC Television, says his superiors at Capital Cities, the media company that owns ABC, "have a deep concern that we need to realign our cost structure. One cannot spend the same amount of money on a third of a market that reaches 60 per cent of US homes as one did on a market that captured nearly 90 per cent of the viewers."

The American television industry is at a crossroads, according to Mr Weston, who says that the current uncertainty stems from the fact that the networks have been slow to react to the growth of cable.

That the industry is in the middle of profound change is evident from estimates of operating profits of $200m made last year by Time Warner's

The Big Three television networks are facing a prolonged period of change, says **Alan Friedman**

Fuzzy future of American TV

Home Box Office (HBO) cable programming subsidiary – more than any single network earned. HBO is in a partnership with ABC to develop new programming for the network's lacklustre Saturday evening line-up, something that might have been unthinkable a few years ago, when the networks viewed cable as the enemy.

Mr Michael Fuchs, chairman of HBO, has presided over a steady average profits growth of 10 per cent a year for the past eight years. HBO is no longer just a cable programmer; it has diversified and is now among the biggest outside suppliers of shows for Fox. But Mr Fuchs says that while he foresees an increasing number of alliances between the networks and cable, even more radical change is on the horizon. "At the end of this decade it's not going to be cable and broadcast anymore – it's going to be *television*. It is not even inconceivable that a cable company might own a network," he predicts.

Clearly the old structure of American television is breaking down. The ownership of all three networks has changed hands since 1986 and the need to share costs has led to co-operative programming ventures involving cable, networks and Hollywood studios.

The current turmoil, which was partly driven by a decline in advertising revenues in 1990-91 and partly by the view of network executives that they must change their target audiences to compete with cable, has manifest itself differently at each network.

CBS experienced a slump in morale a few years ago amid harsh staff cuts on the news side and made a $405m loss in 1991 when it spent too much on sporting events. But the new management installed by Mr Tisch has received plaudits for its successful new programming, and is estimated to have turned a small profit in 1992.

Ms Jessica Reif, entertainment analyst at Oppenheimer & Co, the New York investment bank, says that hiring Mr Letterman for the late night slot could prove a highly lucrative move, taking viewers from NBC's popular Tonight Show and thus worsening NBC's position as the network with the lowest audience share.

NBC's management is the most widely criticised in recent television history. Observers fault its senior executives, who include Mr Robert Wright, the network president who came from General Electric, the company that owns NBC and is widely believed in the industry to be willing to sell it if the right buyer offers $3bn to $4bn.

Mr Wright's background includes years in the plastics business; his most recent job was running GE's financial services business. "The GE people are deal-makers who know about widgets, but they are not very good at managing creative talent," according to a senior executive at a rival network who asked not to be named. Mr Wright could not be reached for comment.

The picture at ABC, which is presently offering buy-outs to many executives as part of its cost-cutting programme, is somewhat better. The network, which has the second highest prime-time ratings, is generally deemed by Wall Street analysts to be the best-run of the Big Three. Ms Reif of Oppenheimer is forecasting a 1992 operating profit for ABC of $114m, the highest of any network.

The financial position of the Big Three has been further complicated by Fox, which has come a long way since it was launched six years ago by Mr Barry Diller, who resigned last year as Mr Murdoch took over day-to-day operations as chief executive of both the Hollywood studio and the television network. Observers have been puzzled by a string of recent executive departures and reshuffles at Fox, but Mr Murdoch insists there was no turmoil at the network and says that some of the personnel changes had been planned before Mr Diller's departure.

Mr Murdoch, who says Fox's revenues in the year to next June will rise to more than $600m from $440m last year, praises the bigger networks for "stringent" cost reductions. He seeks, however, to distinguish his own attitude toward the cable industry from that of other networks by saying his rivals have considered cable the enemy, whereas Fox wants "to be friendly with them".

In fairness, Fox is not the only network with links to cable. ABC owns 80 per cent of ESPN, the lucrative cable sports channel, and has other cable interests. And NBC has CNBC, a cable financial news channel.

The growth of cable over the past year has slowed, however, and newly approved federal legislation could help the networks by forcing cable operators to pay local stations for the right to carry their signals. The networks could also gain when the Federal Communications Commission finally responds this spring to a recent court order requiring that it clarify the muddied financial-syndication (fin-syn) rules that ban networks from moving into the syndication market and other areas.

"The networks are likely to be less regulated, even unshackled," predicts Ms Reif. She adds that in the near term networks should also benefit from the US economic recovery and signs of a modest improvement in advertising.

Mr Weston of ABC says it is unrealistic to expect any of the Big Three to achieve double-digit growth in advertising revenues again. The exception is Fox, which has prospered as a start-up operation with new programming that includes comedies and tabloid shows which have more appeal to young viewers than more standard network fare.

In broader terms, the likely future of US television could be radically different in as little as five years. Digital compression technology means that cable operators such as Tele-Communications Inc, the nation's biggest, could offer 500 channels of programming within two or three years.

The implication of the continued proliferation of viewer choice is more cost-sharing, joint ventures and perhaps even mergers between cable and network television companies. The only certainty in American television, therefore, is the prospect of change.

US television networks

$m	1991 Operating profit/loss	1991 Revenue	1992 est Operating profit	1992 est Revenue	1993 est Operating profit	1993 est Revenue
ABC	135	2,636	114	2,520	140	2,655
CBS	-405	2,366	17	2,729	160	[illegible]
NBC*	-50	2,530	50	2,698	n/a	2,300
Fox**	50	424	55	440	80	[illegible]

*Analysts' estimates: General Electric does not break down NBC figures.
** Fox Broadcasting's fiscal year ends June 30.
Sources: Oppenheimer & Company, Sanford Bernstein & Company and industry estimates.

Larry Tisch: chairman, CBS Inc

LETTERS TO THE EDITOR

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Justifiable despair over Britain's economy

From Mr Gavin Clezy.

Sir, It is not often that I find myself so diametrically in disagreement with an article appearing in the Financial Times, but Sir Geoffrey Owen's "The Myth of Britain's Decline" takes the biscuit. Anyone who has worked in industry and commerce as I have done for 40 years, and largely at the sharp end overseas, is in no doubt that regular doses of despair over Britain's economic performance are absolutely justified. We should drink deep draughts of the stuff!

He blames the media for trotting out the usual culprits, but both the press and politicians seem very loath to confront, respectively, their readers and the electorate with the unpalatable truth that the British people themselves, in failing to measure up to competition in world markets, are largely to blame for Britain's undoubted decline. We British must accept that we must begin to match in our attitude to work the diligence and dedication, not only of the Japanese and Germans but also an increasing number of nationals such as the Koreans and the Taiwanese. Until we do Britain will continue its inexorable descent down the slippery slope, taking with it our valued institutions and our standard of living.

As George Walden MP rightly said recently, "tell the people the truth". And the truth is that the deep-seated flaw that Sir Geoffrey doubts exists is conspicuously clear in an all too common sloppy disregard of customer interests both domestic and overseas. There are brilliant exceptions such as British Airways, which, despite its present problems, has in recent years given an impressive performance on a world stage, but we need more. I hope Sir Geoffrey will accept what I say as the constructive self-criticism which he says is welcome.

Gavin Clezy,
chief executive,
British Chamber of Commerce for Italy,
Milan

Only the technical innovators can expect to compete

From Mr Ian Mackintosh.

Sir, In the report "Getting ideas to market" (Technology, January 21), the impression is given that Professor John Kay of the London Business School has a jaundiced view of the role of technical innovation in determining commercial success.

While this article may not fully represent the views of such a respected and senior economist, my own position at UCL requires me to make the point that technical innovation is of salient importance in business enterprises of all kinds.

In the first place, there is massive evidence that *only* those companies which have learned to harness the power of technical innovation can prosper in a competitive marketplace.

Of the older British companies, Pilkington and float-glass technology spring to mind, of course; but also Glaxo which, contrary to a point made in the cited article, rose to global status through its intelligent use of innovation in developing the anti-ulcer drug, Zantac, in competition with the similar and then-dominant drug, Tagamet. And, on a topical note, it is not difficult to believe that most of IBM's recent and well-publicised problems stem from its inability to practise market-led innovation as competently as its competitors.

On the other hand, a significant portion of world trade is now conducted by companies of which we had hardly heard 20 years ago.

Prime innovators such as Intel, Nintendo, Compaq, Microsoft and Sony have grown rapidly – sometimes to where they dominate their sector – on the basis of a new idea, thoroughly researched, carefully developed, diligently produced and intelligently marketed: or, in short, successfully innovated.

It would be possible to go on and on, of course. But I believe that the world and his brother actually know by now that innovation is a "good thing". What they may not know is how to practise it effectively, which is the cause to which this embryonic UCL-based foundation is devoted.

Ian Mackintosh,
director,
European Foundation for Technical Innovation,
University College,
Wilkins Building,
Gower Street,
London WC1E 6BT

Call to amend commercial property legislation flawed

From Mr D I Hunter.

Sir, The call by the governor of the Bank of England for commercial property legislation to be amended is flawed and displays a lack of understanding of the economics of the property market ("Commercial lease provisions criticised by Bank", January 21).

First, on privity of contract, he should realise that a property lease is like any contract; it is for an agreed period between the two contracting parties. Under most commercial leases the tenant is entitled to assign his obligations, often to a letter covenant. It is absurd to suggest that by doing so the original tenant should escape his contractual obligations.

It is also quite inappropriate for the governor to quote the example of Scots law on privity without acknowledging that tenants in Scotland do not have the protection of the Landlord and Tenant Act.

Even more importantly, in suggesting that the 25-year lease with five-yearly upwards only rent reviews should be abolished, the governor is again wrong. It would clearly be morally wrong to interfere with existing leases – just as contracted interest rates cannot be unilaterally altered. The terms of new leases will be a matter for negotiation between landlord and tenant.

D I Hunter,
property director,
Scottish Amicable Investment Managers,
150 Vincent Street, Glasgow

Co-existence

From Mr Ole K Roed.

Sir, Uffe Ellemann-Jensen has once again spoken out refreshingly on a controversial issue ("Danish speech on Macedonia provokes Greek rage", January 21). Maybe the Greeks could learn from a precedent set in this part of Europe, where the Grand Duchy of Luxembourg happily exists alongside the Belgian province of Luxembourg. The latter provides much-needed staff for the Grand Duchy's financial services industry in the form of cross-border commuters. These "frontaliers" sleep safely at night knowing that the monetary union between Belgium and the Grand Duchy protects their earnings from any devaluation (sorry, realignment) of the latter's currency.

Ole K Roed,
9 Rue Beatrix de Bourbon,
L-1225 Luxembourg

Slogans and company directors have their day

From Mr Osman Streater.

Sir, When Lord King set about the task of turning round British Airways he sacked a great many people, explaining as he did so that it took too long to change people's attitudes – it was quicker to change the people.

I cannot imagine why this memory came back to me as I read your comment about the unsatisfactory nature of the statement from the board of BA ("BA off course", January 22). Lord King's place in history is secure, as – strangely enough – seems to be the place of the slogan "Fly the flag", which came to me one lunch-time as I was walking from the offices of BA's then advertising agency FCB to the Savile. But it is not just slogans that have their day. Directors do too.

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FINANCIAL TIMES

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Wednesday January 27 1993

Too little, too late

THE ONE percentage point cut in the UK's base rate of interest, announced yesterday, was necessary. But it will probably prove yet another case of too little, because too late. The FT argued last October for an immediate cut in base rate to 6 per cent, combined with a new fiscal strategy and, more important still, with radical institutional reform, including an independent central bank. The government clung, instead, to caution, when it should have been decisive. It remained conservative, when it should have been radical. It is paying the price.

Economic forecasts are inescapably imprecise. But the extrapolations of current trends presented by the Institute of Fiscal Studies in yesterday's Green Budget demonstrates why caution is probably the riskiest policy that the government can now adopt. The probable developments in the fiscal deficit and the current account mean, first, that the economy has to grow and, second, that this growth has to be export-led.

Even if the economy were to expand by 1.8 per cent between 1992-93 and 1993-94 and 3 per cent a year thereafter, the public sector borrowing requirement would still fall very slowly, argues the IFS, from its highest peacetime level of 9½ per cent of gross domestic product (excluding privatisation receipts) in 1993-94. Balancing the budget over the cycle has become a discredited slogan; the Conservative party's reputation for fiscal prudence is in tatters.

The government has no option but to push for recovery. A slow recovery would be riskier – given the prospective build up of public debt, even riskier for inflation – than a fast one.

The grim fiscal picture, the worsening prospects for external demand, particularly in continental Europe, and the overhang of personal indebtedness make interest rate cuts not merely necessary, but inescapable. Exchange rate depreciation is a valuable bonus. Goldman Sachs argues, for example, that the UK needs a further 10 per cent improvement in competitiveness if it is to combine recovery with a current account deficit below 3 per cent of gross domestic product.

Base rates must be pushed to a level at which early recovery becomes not just possible, nor likely, but virtually certain. Moreover, they will be pushed that low in the end, however cautious the government wishes to be.

The mistake has been not to push interest rates down faster. A principal excuse for the caution is fear that the public would fail to believe in the government's willingness to raise interest rates once more. Yet such caution would be unnecessary if the government were not so determined to bold on to all the levers of monetary policy. It is, after all, this determination which makes the public doubt the government's willingness to raise interest rates.

This government does not just keep on getting its monetary policy wrong. Its determination to be able to do so has become an important reason for its continuing to do so.

Test for Clinton

MR BOUTROS Boutros Ghali, the UN secretary-general, has recommended that the Security Council take "whatever measures are required" to compel Israel to allow the return of 396 Palestinians whom it deported to Lebanon last month. It would be quite wrong to dismiss this as the partisan advice of an Arab or an Egyptian.

In just over a year in office Mr Boutros Ghali has shown himself quite willing to confront his fellow Arabs with unpalatable truths, including the fact that Security Council Resolution 242 does not order Israel to withdraw unconditionally from occupied Arab territory, and therefore is not equivalent to the resolutions on Iraqi withdrawal from Kuwait passed in 1990. But Resolution 799, demanding the immediate repatriation of the Palestinian deportees, is a much more clear-cut affair. Israel's failure to comply with it, and the council's failure to enforce compliance, does contrast glaringly with the treatment of Iraq in a way which casts serious doubt on the council's authority and credibility. The question is widely regarded as a test case of the new world order.

Inevitably it is also a test case for the new US administration. Mr Bill Clinton, like most newly elected US presidents, arrives in office festooned with pledges to back Israel to the hilt. But he has also had a lot to say about the importance of the UN.

If he is to have any hope of getting others to share the burden of world leadership, as he clearly wishes, he badly needs to build up the UN, and especially the Security Council, rather than undermine it.

It is inconceivable that the US would allow the UN to take military action against Israel; scarcely less so for it to agree to economic sanctions. Yet Mr Clinton must surely point out as forcefully as he can to the Israeli prime minister, Mr Yitzhak Rabin, that in asking the US to use its veto in such circumstances Israel is drawing very deeply on its reserve of goodwill, in a country on which it remains heavily dependent.

The trouble is that Mr Rabin, very unwisely, has made the affair a test of his own credibility with Israeli public opinion. If he is now seen to buckle under international pressure, his room for manoeuvre when it comes to concessions on bigger issues, ultimately of greater importance to peace and to Palestinian interests, may well be reduced. The best hope is that Israel's supreme court will let him off the hook by ordering that the deportees be allowed to return pending appeal.

Failing that, the US could perhaps negotiate a compromise under which some would return immediately while the period of deportation for the rest is drastically shortened. What is certain is that all parties should treat the affair as one of extreme urgency. Every day it lasts makes it harder for the Palestinian delegation to return to the peace talks on the basis of anything less than a complete Israeli capitulation.

Serious fraud

A SERIES of recent trials has thrown grave doubt on the ability of the criminal justice system in England and Wales to handle cases of serious fraud. Trials have begun too long after the events to which they relate. Indictments have been excessively complex. Proceedings have stretched to inordinate length and cost millions of pounds before collapsing or ending in acquittals.

Fiascos such as last year's Blue Arrow trial – in which all the defendants were eventually acquitted – have raised questions over the competence of juries to hear serious fraud cases. However the fault in such trials has lain more with the prosecution which overloads charge sheets and with judges unable to keep a grip on proceedings. In a report published yesterday, the Bar Council rightly urges the retention of trial by jury for serious fraud as for other serious crimes. Instead, it proposes reforms to streamline fraud trials and make them more manageable.

These include efforts to clarify for the jury exactly what is in dispute in a trial. Non-contentious summaries of events might be distributed at intervals to keep jurors informed of how the case is developing. And the trial could be structured to focus closely on points of difference between prosecution and defence, so that the jury knows exactly what they have to decide. These recommendations are sound and since most could be introduced without new legislation, they should be implemented speedily.

New legislation would be needed to give effect to the Bar Council's proposal to introduce a more specific offence of ample fraud to replace the catch-all charge of conspiracy to defraud. This would make the nature of charges clearer to jurors by specifying particular acts as fraudulent. It might also encourage more defendants to plead guilty, knowing exactly what they are pleading guilty to; a guilty plea to a conspiracy charge exposes the defendant to unpredictably severe punishment.

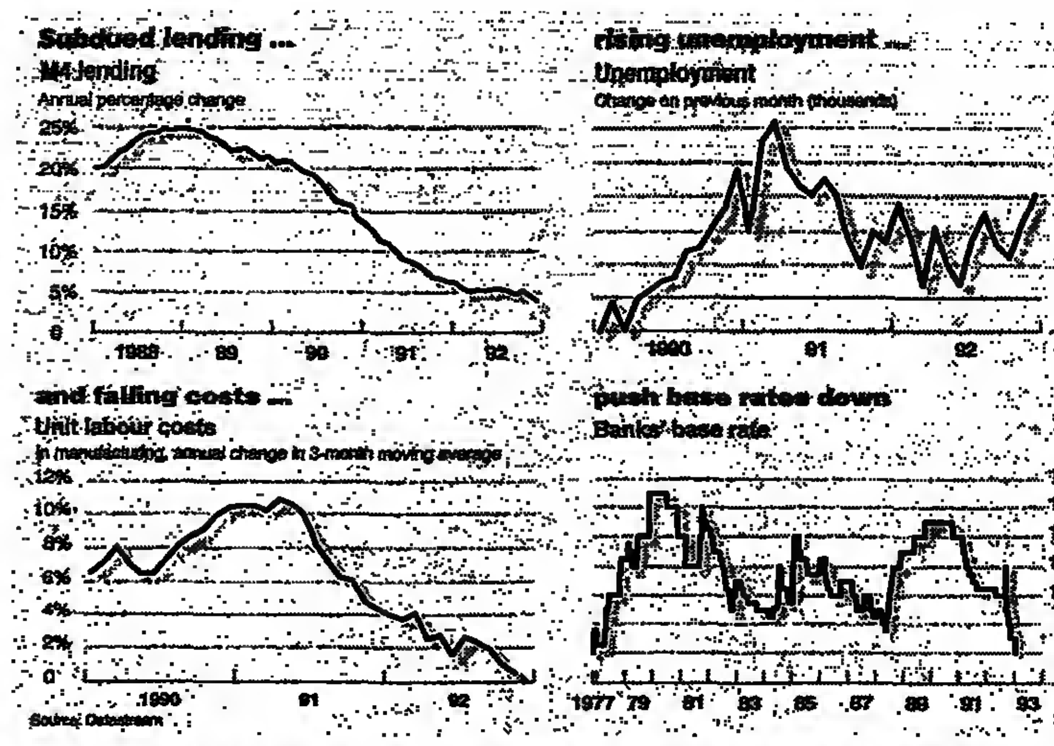
Such guilty pleas – which save the courts time and money – might be further encouraged by the wider use of plea bargaining in serious fraud cases. While bargaining over charges goes on informally at present, it could be extended to sentencing. It should also be brought into the open as part of court proceedings under the supervision of the judiciary.

Finally, the Bar Council suggests that only cases leading to a custodial sentence should be tried in court. Where the likely penalty for a serious fraud offence is a fine, restitution or disbarment, the regulator is better placed to deal with the case. This approach has much to commend it, although regulators would need to be more open in their proceedings to avoid charges that financial fraudsters were treated more leniently than other criminals.

The Bar has set out an agenda for reform which has the merit of being simpler and therefore more realistic than other offerings. It should be acted upon.

Chancellor gets back to basics

Peter Norman examines the reasons behind yesterday's base rate cut and its implications for economic policy



It was an interest rate cut that caught the City by surprise.

Just before 10 o'clock yesterday morning, the Bank of England was forced into the unusual position of declaring a minimum lending rate of 6 per cent because discount houses were not anticipating cheaper borrowing costs in their dealings with the Bank.

But the Bank's move, which immediately triggered cuts in clearing bank base rates from 7 per cent to 6 per cent, should have come as no shock. Since the beginning of the year, economists and commentators in Britain had been calling increasingly for a decisive lowering of UK base rates amid faltering signs of economic recovery and news of sharply rising unemployment. In the event, Mr Norman Lamont, the chancellor, went half-way to meeting the more radical of those calls for a cut in base rates to 5 per cent.

There was some puzzlement yesterday as to why Mr Lamont had not cut rates last week after Thursday's news of a jump in unemployment in December, or the previous week when the government reported that the annual rate of retail price inflation had fallen to 2.6 per cent last month. It seems likely that the chancellor waited for signs that the foreign exchange markets would accept a new rate cut without unceremoniously dumping sterling.

In other respects, his move, decided in principle last week in talks with Mr Robin Leigh-Pemberton, the Bank of England governor, and in consultation with Mr John Major, the prime minister, is a calculated gamble. The government is hoping that the latest cut – the fourth one-point reduction since Britain left the European exchange rate mechanism in September – will give consumers the confidence to spend and businesses encouragement to invest while keeping underlying inflation below its 4 per cent target ceiling.

By cutting rates a full percentage point to their lowest level since 1977, the government has almost certainly ruled out any further easing of monetary policy before the Budget on March 16. Whether a further reduction is announced around the time of the Budget will depend partly on monetary conditions at the time but more on the fiscal stance that the government adopts.

With independent forecasters now pointing to a public sector borrowing requirement of more than £50bn in 1993-94, some analysts suggested that yesterday's move may be part of a rebalancing of policy in which the government might start cutting its fiscal deficits in the coming financial year rather than in the second of this year's Budgets in December.

While the fiscal counterpart to yesterday's monetary easing remains obscure, it was clear that the authorities feel they have more leeway regarding inflation than they could have hoped for at the time of the last interest rate cut in November.

At the same time, concern has grown about the gap between capacity and output in the economy and the near certainty that unemployment will top the 3m level this month. The December jobless statistics were shocking not only for the seasonally adjusted 60,800 increase in the numbers of unemployed claiming benefit but also for the fact that the average monthly change, whether measured over three or six months, is rising after nearly three years of recession.

In his statement yesterday justifying the rate cut, Mr Lamont showed that he is paying far more attention to what is actually happening in the economy than to confidence indicators. As reasons for the move, he cited:

- Monday's reports of slow growth in bank and building society lending and a fall in broad money in December, which brought growth in M4, the government's chosen broad money measure, below its 4 to 8 per cent monitoring range for this year.
- The 0.7 per cent fall in seasonally adjusted retail sales last month.
- Falling pay settlements in the autumn and the drop in manufacturers' unit wage costs to 0.5 per cent annual rate of growth in November.
- Continuing falls in house prices over the past two months.
- Weak price rises at the factory gate, with producer output inflation (excluding food, drink and tobacco) of 2.4 per cent in November and December – its lowest level since April 1969. Although manufacturers' input prices rose by a seasonally adjusted 7 per cent between August and November, they fell marginally in December.

The chancellor ignored anecdotal and survey evidence that had persuaded some observers that a rate cut was not in the offing until the Budget. Although officials have welcomed recent reports of increased business optimism from the British Chambers of Commerce and the Confederation of British Industry and the latest Gallup poll pointing to some recovery in consumer confidence, these indicators have signalled false dawns in the past. They are no longer considered a reliable basis for policy change.

There was, however, some debate between the Treasury and the Bank about whether the cut should have been limited to 0.5 percentage points and so in line with practice before Black (or White) Wednesday.

One argument in favour of a more cautious cut was the rise in December of underlying inflation, as measured by the retail prices index minus mortgage interest payments, to 3.7 per cent from 3.6 per cent and therefore close to the top of the 1 to 4 per cent target band announced by Mr Lamont last October. Officials admit that the underlying inflation measure is likely to "flirt" with the 4 per cent target limit over the coming year. But it is hoped that a steeper than expected downward trend in domestic cost pressures should prevent underlying inflation breaching the barrier in spite of higher imported goods costs following devaluation.

The low growth in unit wage costs and the recent decline in wage settlements to just over 3 per cent are hopeful signs that inflationary pressures are so low as to justify the full one-point rate cut. But if the government is to meet its longer-term objective of price stability – defined as zero to 2 per cent underlying inflation – wage settlements will have to be lower still and unit labour costs falling. There is a reasonable chance of wage inflation continuing to ease as negotiators focus on the headline rate of retail price inflation, which is likely to continue downwards from December's 2.6 per cent as yesterday's mortgage rate cuts and those that took effect earlier this month feed into the index.

However, the debate over a 0.5 per cent cut suggests that the authorities will be increasingly cautious about reducing interest rates further from current levels, and that credence should be given to yesterday's health warning that rates will rise again if inflationary pressures reappear.

What remains uncertain is the impact that the latest rate cuts will have on activity. Opposition politicians were predictably sceptical yesterday. Mr Gordon Brown, Labour's shadow chancellor, said the government would "have to do far more on employment and industry to ensure substantial recovery". Mr Alan Beith, the Liberal Democrats' Treasury spokesman, argued that "only government-led investment leading to real contracts is likely to get industry moving".

The Treasury calculates that the latest rate cut should lower industry's interest burden by about £1.25bn this year and brings to about £11bn per year the reduction on interest costs of successive rate cuts since October 1990. Monthly payments on an average £33,000 mortgage should fall by about £15, leaving the householder £160 a month better off than 27 months ago.

The government hopes that by putting such funds at the disposal of companies and households, it can break through the vicious circle of rising unemployment, weak demand, falling activity, increased business failures and still higher unemployment. Another aim is to inject some life into a housing market crippled by falling prices, repossessions and negative equity.

There are already some encouraging signs, including a rise in inquiries at estate agents, reports of retail sales growth this month and strong growth of cash and bank notes in circulation. Interest rates of 6 per cent should be good for activity. But after so many false dawns, only the brave would predict the end of Britain's longest post-war recession.

Contenders lay claims to the title

Judy Dempsey on the problems of deciding ownership of confiscated east German property

The last chance to claim ownership of property confiscated by the Nazis and the former east German Communist regime ended on new year's eve. But the workload of the staff at Barby, a sleepy village south-west of Magdeburg, is unlikely to be affected.

For the past two years, the 30 employees at Barby, the centre of eastern Germany's *Grundbucharchiv*, or land registry, have been inundated with tens of thousands of requests from people applying for title to property confiscated after the second world war. Now that the deadline has passed, the staff will spend several more years scouring the land registers to establish the whereabouts and status of the claimed property.

Mr Manfred Kottke, who was seconded from the Justice Ministry in Bonn to oversee the process a year ago, says the task is enormous. "One of the problems is that the vast land registers are not on computer. We computerise only the requests. It would take one year, and 300 people, to put the registers on computer. We haven't got the time, or the personnel."

After the fall of the Berlin Wall in November 1989, east Germany's land registry was taken over by the federal government. Barby has received more than half a million requests from German citizens, emigrés and foreigners seeking information about their confiscated property. Officials at the Justice Ministry in Bonn say the total number of claims could exceed 2m, and could take up to 10 years to process.

Those whose property was confiscated between 1935 and 1945, and from 1949 until 1990, can seek compensation from local authorities and, in many cases, restitution of the property. But people whose property was taken from them during the Soviet occupation of 1945-49 cannot regain it. Instead, they can seek compensation based on the value of property in the 1930s.

Mr Kottke said: "Barby does not deal with the issues of restitution or compensation of property. It is our job to locate, if possible, the original land register for those who are able to identify where they held property before it was confiscated. Once we have done this, we send them a copy of the register so they can go through the courts or local authorities to follow up the claim."

Processing the claims can take as little as three weeks or as long as eight months. "In many cases, we receive inadequate information about the whereabouts of the property being claimed," said Ms Dagmar Schiffel, an archivist. "Some of the requests come from very old people, or from their descendants and distant relatives who before 1989 had never visited the former German Democratic Republic."

Even if claimants can recall the exact location of their property, sometimes it is not recorded in the land register. This is because the Nazis frequently confiscated property from Jews forced to flee Germany or sent to their deaths in the concentration camps, and tampered with the registers.

Many titles in the registers at Barby – the number is unknown – are covered in thick black ink, and in some cases the pages have been torn out. "The Nazis were determined to show that these Jewish property holders never existed, and that their descendants would never return and reclaim their property," explained Ms Schiffel. Once the Communists consolidated power in east Germany after 1949, all property was placed in the hands of the state, and the land registry was closed down in 1952.

But now, in a curious twist of history, former Nazis are claiming property on the grounds that it was confiscated by the Communists – property they had earlier illegally confiscated from Jewish families – according to Justice Ministry officials and the staff at Barby.

As a means of establishing the legitimacy of the original title-holder, the authorities at Barby have installed an infra-red machine, which can read through the black ink on the land registers. "But we can do little if the page was torn out," said Ms Schiffel.

The registers – large tomes dating from 1769 – are housed in the cellars of a neglected, red-brick, 18th-century mansion, once owned by Prince Heinrich of Saxony. Stacked on high shelves, they would stretch more than 15km if laid out. Until 1979, the East German authorities used the mansion as a hostel for Cuban and Vietnamese *Gästarbeiter* (guest workers). Then the former Communist regime centralised at Barby the country's land registries, which had previously been held by the individual Länder, or states.

"The place, strictly controlled by the Communists, was completely closed off to the public," said Ms Schiffel. "Putting the land registers into some acceptable order was done in complete secrecy." Thankfully, the German tradition of bureaucracy and order outweighed any temptation the Communists might have had to destroy them.

OBSERVER

Old Lady's flower power

■ Giles Radice, Labour MP for Chester-le-Street and the man who, as head of research at the General and Municipal Workers Union, awarded Rupert Pennant-Rea his first job as a lowly research assistant, is planning a reunion with his protégé.

As deputy chairman of the House of Commons Treasury and Civil Service committee, he will be summoning the new deputy governor of the Bank of England, together with his soon-to-be boss Eddie George, for a grilling in front of the television cameras before the two men take up their appointments in March.

George is in for a hard time. The Treasury committee report is expected unanimously to criticise the Bank of England in its handling of BCCI.

But at least Radice still has a soft spot for Pennant-Rea. "He was very much a child of the 1960s, you know," says he whimsically.

No joking

■ Lord Hanson needs to get a new joke book. Despite the notable absence of his old chum Lord White, who is stuck in bed with bronchitis, Hanson's polished annual meeting was only marred by the staleness of some of the peer's jokes.

Take the one about his visit to an old people's home in his native Huddersfield. The noble Lord was chatting to a "delightful" lady resident and asked her if she knew who he was.

"No," she responded, "but if you ask that young lady at the desk she'll tell you."

Surely, Lord White could have phoned across a few better jokes from his Los Angeles hideaway.

Lucrative deal

■ GJW Government Relations is one of the best political lobbying firms around. It is also one of the canniest when it comes to making money.

Having sold out for £6.5m to a company headed by Frank Lowe and Sir Tim Bell just before the 1987 stock market crash, the three key figures, Andrew Gifford, Wilf Weeks and Jenny Jager, have bought back their business – now owned by Interpublic – for next to nothing. Andrew Gifford is terribly discreet about the terms of the buy-back from Interpublic, a US advertising agency, save to admit that most of the consideration is deferred.

If GJW does well, so will Interpublic. But given that GJW is three times bigger, and profitable, than it was when Gifford and his pals last sold it, they seem to have got a bargain. It also means that they will be able to compete head on with Sir Tim Bell's outfit without having to bother about the conflicts of interest which forced them to sit on the sidelines during Hanson's stalking of ICI, because Sir Tim was working for the opposition.

'You should have seen him before there was a sharp increase in business confidence'

Lost spark

■ The final showdown between British Airways and Richard Branson's Virgin Atlantic is in danger of degenerating into a farce.

The only information of substance to leak out of Monday's peace-making pow-wow between Virgin's Richard Branson and BA's Sir Colin Marshall was that the two big birds had drunk "lots of cups of tea" and felt a "great deal warmer" towards each other than they did a few weeks ago.

Perhaps events have moved on, but weren't some big heads supposed to have rolled by now? To date, the only casualties are an outside pr flunky and The Sun's chief leader writer for the last 14 years – 63-year-old Roland Spark. The latter committed an unthinkable crime. He disassociated himself from a Sun leader attacking British Airways's dirty tricks.

Spark thinks that BA's 75-year-old chairman Lord King has been "kicked around long enough" and wrote a letter of sympathy after a particularly vicious Sun attack. When Sun editor Kelvin MacKenzie learned about it, he sacked him.

If only the BA board were as ruthless. But then they might not be allowed to get away with it.

Royal reception

■ Mohammed Ben Madani, editor of the Maghreb Review, is not best pleased with the Moroccan authorities.

Returning to his native land on January 3 to see his ailing mother, after 25 years' self-imposed exile in London, Ben Madani was subjected to a less than rapturous welcome. To whit, he was detained at the pleasure of the Casablancan police for four long days.

He was not allowed to contact a lawyer, nor were his family informed of his whereabouts. Nor, although interrogated at length about every period of his past life, was he offered any explanation.

"They hinted it was something to do with a broadcast I made on the BBC World Service, about Moroccan foreign policy and the nomination of a Moroccan ambassador to Algiers," he said yesterday, safe home in Bloomsbury. "It was part of a series by Patrick Keatley on the importance of monarchs."

Sharing with six other people a cell just three metres square (and making do on a loaf of bread a day between four), he was eventually released without charge, and still without explanation.

Morocco's ambassador in London, Khalil Haddaoui, is looking into the matter.

Terminal

■ As the government, the Labour party and the BMA debate whether – or not – the National Health Service faces a cash crisis and terminal decline, the Institute of Health Service Management at least appears to have made up its mind.

The cover article in the current issue of the institute's magazine, Health Services Management, is devoted to detailed discussion about whether Britain's health bosses are better off opting for redundancy or early retirement.

FINANCIAL TIMES

Wednesday January 27 1993

Tudjman offers troop withdrawal ■ France sends task force to Adriatic

Croat forces press on in Krajina

By Laura Silber in Belgrade

CROAT forces yesterday pressed forward in their drive to secure control of strategic Serb-held territory in Croatia in spite of a reprimand from the United Nations Security Council.

However, President Franjo Tudjman of Croatia offered to withdraw his army if Serb militia handed over heavy artillery seized from UN-supervised arms depots in Croatia's four UN-monitored zones. Croatian radio quoted Mr Tudjman as saying: "We must install civilian power and normalise life in the region."

A UN official cited "disturbing reports of unusual Croat troop movements" south of Knin, the centre of the Serb enclave of Krajina, inside Croatia but outside the area of conflict. Krajina is the self-proclaimed Serb state which stretches from the Dalmatian hinterland to Croatia's border with Serbia. With the Croat army holding the damaged and vital Maslenica bridge since Monday, Serbs in Belgrade continued to sign up to defend Krajina.

Clashes between Serb and Croat fighters yesterday appeared confined to the area around the bridge, which joins Croatia's heartland with the southern Dalmatian coast.

Separately, France said it was sending a naval task force to the Adriatic Sea, after two French peacekeepers were killed on Monday, near the port of Zadar.

Western diplomats fear the fighting could spread. At least 10,000 people were killed in 1991 when Serb fighters, backed by the Yugoslav army, took up arms against Croatian independence. A UN ceasefire last January froze the Serbo-Croat conflict although the Croatian government was increasingly frustrated by Krajina's Serbs who have virtually severed the republic.

The Security Council on Monday condemned Croat attacks on Serb-held territory in the UN zone and demanded that Serbs return weapons to UN control.

● Judy Dempsey adds from Berlin: Mr Klaus Kinkel, Germany's foreign minister, said he hoped any decision by the Security Council on whether to enforce a no-fly zone over Bosnia-Hercegovina, would not break the ruling coalition. But his remarks, which imply more a warning than a hope, coincided with deepening divisions within the coalition about Germany's participation in surveillance flights by Nato aircraft if the UN decides to implement the no-fly zone.

Mr Manfred Wörner, the Nato secretary-general, this week warned that any Nato operation could be undermined if German crews did not participate. A German general commands the force which would make surveillance flights and Germans make up as much as a third of the crews manning the flights.

Chancellor Helmut Kohl, the Christian Democratic Union, and the Christian Social Union, its Bavarian sister party, argue that constitutional amendments are not necessary for German participation in the flights, but the Free Democrats disagree and have threatened to quit the coalition.

Report, Page 2

French threaten court action on Hoover

By William Dawkins in Paris and Robert Taylor in London

THE FRENCH government yesterday threatened to take Britain to the European Court over the decision by Hoover to close its vacuum cleaner plant near Dijon and switch production to Scotland.

The British government has provided £2.5m in financial assistance to help the Hoover move.

Mr Jean-Pierre Soisson, agriculture minister and president of the regional council in Burgundy, of which Dijon is the capital, said: "We are going to ask the Community to intervene in this affair." He threatened action at the European Court of Justice.

Mr Pierre Bérégovoy, prime minister, was last night examining the possibility of a formal complaint to the European Commission over alleged misuse of EC regional aid by the British government, a French government official said.

Mr Jean Auroux, parliamentary whip for the French ruling Socialist party, urged consumers to boycott Hoover products if the group went ahead.

In Brussels, however, a spokesman for Mr Bruce Millan, the European Commissioner for regional affairs, said Hoover, the US domestic appliance maker, received no EC aid for its move. Cambuslang, near Glasgow, where production is to be moved, was eligible only for EC small business assistance, he said.

The Scottish Office said the state aid for Hoover was from a discretionary grant scheme operated by the British government within the guidelines and rules set by the European Commission. "As always these guidelines have been properly applied."

The Scottish Office played an important role in Hoover's decision. Mr Ian Lang, Scottish secretary, has been directly involved since the autumn in secret negotiations with Hoover's US parent company Maytag on the transfer.

Mr Lang was pleased the Scottish Office had "been able to help in financing the project through regional selective assistance to secure it for Scotland". Hoover announced the move from Dijon to Cambuslang on Monday, citing its wish to curb production costs and group European production on one site. Closure would lead to the loss of 600 jobs. Workers yesterday occupied the Dijon plant in protest.

The French outburst is a rare attempt at intervention in foreign investors' affairs from an otherwise economically liberal-minded government. However, job losses in the public and private sector have become an increasing worry for Mr Bérégovoy as unemployment edges near 3m in the run-up to the March parliamentary election in which the Socialists are set for a thrashing.

EC budget targets prove elusive

Painful surgery needed as big deficits endanger monetary union plans

By David Marsh, European Editor, in London

BUDGET DEFICIT targets agreed by the EC in 1991 at Maastricht to pave the way to economic and monetary union are proving uncomfortably elusive.

With recession and high real interest rates pushing the targets increasingly out of reach, most EC countries look likely to register budget deficits this year of more than 4 per cent of gross domestic product, while their overall public debt ratios will worsen.

Budget deficits are booming partly as an automatic effect of recession, which reduces tax revenues and increases social security payouts.

Countries such as the Netherlands, Belgium, Denmark and Italy are still trying to cut the structural component of their deficits by making economies in areas like health care and social security.

But three of the four largest EC economies – Germany, France and the UK – appear recently to have switched from fiscal austerity in an attempt to combat recession through increasing expenditure.

The Maastricht treaty sets out a number of hurdles to allow countries to qualify for Emu towards the end of the century. Overall government debt should not exceed 60 per cent of GDP, while annual budget deficits should not be more than 3 per cent of GDP.

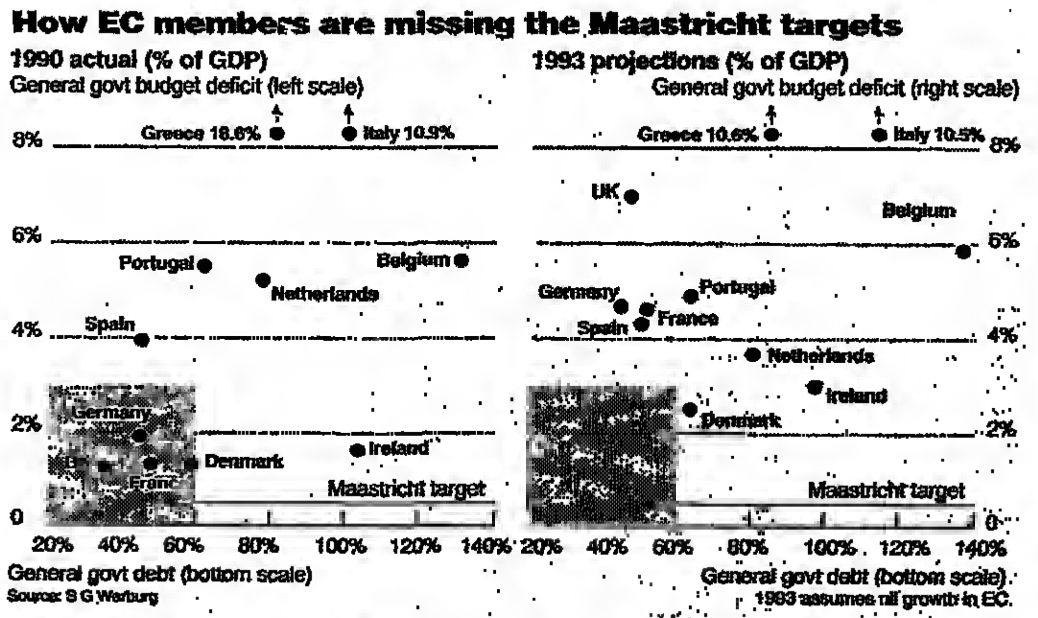
The treaty also sets targets permitting Emu membership only for countries registering good performances on inflation and long-term interest rates.

The treaty could allow Emu membership for countries which did not precisely achieve the fiscal targets. But Germany has indicated that only those members which precisely fulfil the targets would be allowed to join.

Ironically, Germany itself is being blamed for a good deal of the overshoot. Increasing German budget deficits caused by reunification have been the main reason behind high Bundesbank interest rates – and these have spread recession throughout the EC.

Mr Jean-Paul Bethèze, chief economist at Crédit Lyonnais in Paris, says: "We are all living in bad times. They have shocks in Germany. And because they are trying to solve this selfishly, we are all bogged down."

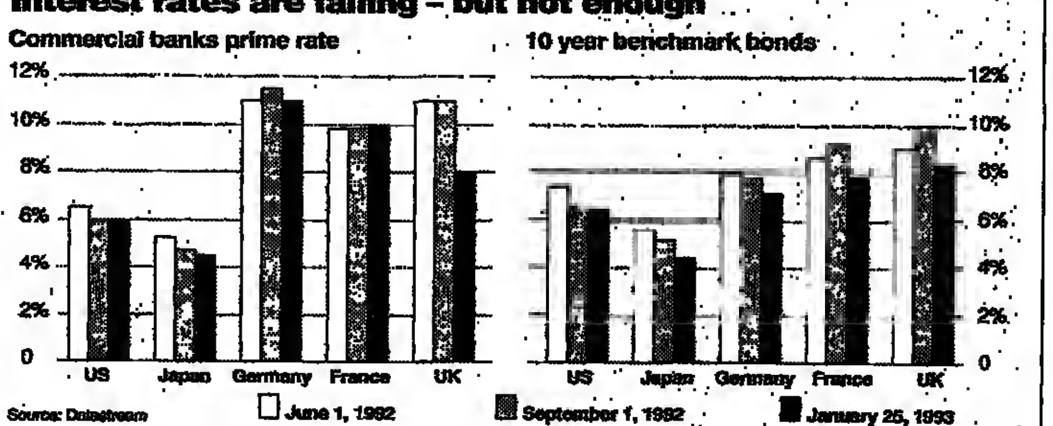
How EC members are missing the Maastricht targets



Source: S G Warburg

* 1993 assumes nil growth in EC.

Interest rates are falling – but not enough



Source: Datastream

Crédit Lyonnais is forecasting a French budget deficit of FFr220bn ($40.7bn) this year – nearly 3 per cent of GDP – based on an assumption of 1.2 per cent growth in the French economy.

However, other economists are gloomier. The UK merchant bank SG Warburg, forecasting nil growth for the whole of the EC this year, believes the French deficit will be much higher at FFr325bn – 4.5 per cent of GDP.

Mr George Magnus, international economist at Warburg, says countries will need "painful fiscal surgery" as well as a return to much higher growth rates.

Mr Robin Hubbard, chief economist at Paribas Capital Markets in London, is forecasting a French budget deficit of FFr270bn this year.

Governments' inability to stick to a credible Maastricht path "shows that the Maastricht targets were a bit of a nonsense," he says. "The Maastricht targets were laid down at German insistence. But the country that looks like missing all of them at the moment is Germany."

Mr Hans-Peter Fröhlich, senior economist at the Cologne-based Institut der deutschen Wirtschaft (IdW), the free market research body, says: "Germany's chances [of meeting the fiscal targets] are worse than six months ago."

The IdW calculates Germany's overall budget deficit is currently about 5.5 per cent of GDP, including some spending which is not at present in the consolidated government accounts.

Experts at the Organisation for Economic Co-operation and Development in Paris admit that their relatively sanguine forecasts published last month for 1993 budget deficits have now been overtaken by events.

The forecasts were based on assumptions of German 1993 growth of 1.2 per cent, whereas the Bonn economics ministry has now officially stated it expects zero growth for unified Germany this year.

The Maastricht fiscal targets are designed to be met in 1996 or 1998 as a condition for moving to a single currency. Returning to the Maastricht convergence path later this decade is not impossible. But it will require painful fiscal policy changes, combined with a return to much higher EC growth rates than are likely for 1993 and 1994.

UK tax increases, Page 7

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	7	45	Frankfurt	F	1	34	Majorca	S	15	59	Oporto	S	13	55	Tenerife	F	20	68
				Brussels	S	3	37	Geneva	S	4	39	Malaga	S	15	59	Oslo	S	-3	27	Tokyo	R	8	46
				Budapest	F	3	37	Gibraltar	S	17	63	Malta	C	16	61	Paris	C	5	41	Toronto †	S	-8	18
Ajaccio	S	14	57	Buenos Aires	R	30	86	Glasgow	C	6	43	Manila	F	31	88	Prague	F	0	32	Tunis	F	16	61
Algiers	C	13	55	Cairo	F	18	64	Helsinki	F	-6	21	Melbourne	S	25	77	Reykjavik	F	-4	25	Valencia	S	16	61
Amsterdam	C	5	41	Cape Town	S	31	88	Hong Kong	C	15	59	Mexico City	C	23	73	Rhodes	F	16	61	Venice	S	9	48
Athens	F	16	61	Caracas	C	28	82	Innsbruck	S	2	36	Miami †	R	22	72	Rio d'Janeiro	C	36	97	Vienna	F	3	37
Bahrain	S	16	61	Casablanca †	F	16	61	Inverness	F	7	45	Milan	S	11	52	Rome	S	12	54	Warsaw	Sn	1	34
Bangkok	F	34	93	Chicago †	S	-4	25	Islamabad	F	28	17	Montreal †	S	-14	7	Salzburg	S	1	34	Washington †	R	-3	27
Barcelona	S	12	54	Cologne	F	3	37	Istanbul	R	4	39	Moscow	Sn	-5	23	S'Francisco †	S	6	43	Zurich	F	1	34
Beijing	S	0	32	Copenhagen	F	3	37	Jakarta		–	–	Munich	C	0	32	Seoul	C	4	39				
Beirut	S	18	64	Corfu	S	14	57	Johannesburg	S	23	73	Nairobi		–	–	Singapore	F	29	84				
Belfast	R	4	39	Dallas †	S	0	32	Lisbon	S	11	52	Naples	F	13	55	Stockholm	S	-7	19				
Belgrade	F	4	39	Dublin	C	7	45	London	C	5	41	Nassau	C	27	81	Strasbourg	F	4	39				
Berlin	Sn	3	37	Dubrovnik	S	11	52	Los Angeles †	F	14	57	New Delhi	S	16	64	Sydney	C	22	72				
Biarritz	C	8	46	Edinburgh	F	6	43	Luxembourg	F	0	32	New York †	S	-3	27	Taipei	R	15	59				
Bombay	S	32	90	Faro	S	16	61	Madeira	F	17	63	Nice	S	14	57	Tangier	S	16	61				
Bordeaux	C	8	46	Florence	S	9	48	Madrid	S	11	52	Nicosia	R	14	57	Tel Aviv	S	18	64				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Short cut to growth

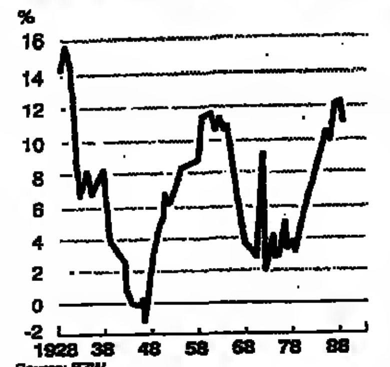
The government's decision to cut rates is a surprise only as regards its timing. By acting yesterday it imposed large losses on gilt-edged market-makers who were short ahead of tomorrow's auction. Its disregard for a group whose co-operation is needed in sales of up to £1bn a week in the coming financial year adds to the sense that the cut was a matter of political urgency after last week's unemployment data. If the restoration of growth is thereby confirmed as the top policy priority, the markets must expect rates to fall further. The March budget may also pay only lip service to fiscal rectitude and the need to reduce the PSBR.

Of course, higher growth would reduce the borrowing requirement over time. But it has also looked for some time as though lower short-term rates – and by implication a lower exchange rate which will eventually help attract overseas money – will also be needed to help finance it. One task for the authorities has thus been to engineer a steeper yield curve to encourage investors to switch out of cash. Even after yesterday's rate cut the difference between three month and 10 year money is still only 2.6 percentage points in the UK compared with 3.4 in the US.

Ultimately the shape of the curve will probably matter more to PSBR funding than will any lingering offence felt by market-makers. Assuming that a steeper curve is part of the strategy, the temptation to allow sales of gilts to banks to count as PSBR funding becomes hard to resist. Banks have been reluctant buyers of gilts so far, but would become less so as the curve steepened. Even so, a specially-tailored instrument might be required. An ultra-short, two year gilt would fit the bill. It would suit the banks – and allow the authorities to argue that any relaxation of their funding rules would be limited in time.

FT-SE Index: 2835.7 (+63.8)

Real cost of equity capital



Source: BZW

Wessex Water

Yesterday's rights issue from Wessex Water is a reminder that privatised utilities are keen to broaden their horizons. As one of the tiddlers of the water sector, Wessex has more reason than most to escape the yoke of its regulated business. But the impulse is hardly unique; asking shareholders to fund non-core expansion with risk capital is the kind of strategy that pleases regulators. The market might reasonably wonder whether rights issues from other utilities are on the way. With the sector still not far below its high relative to the market – and the regulatory review of price limits due in 1994 – Wessex is right to see a window of opportunity to raise fresh equity. However buying into a growth business like waste management with the lowly rating of a utility poses a risk. Even allowing for cost savings and some cyclical recovery in land-fill prices, Wessex will have to work to justify yesterday's acquisition price. Without the benefit of cheap convertible funding put up by Waste Management International, the deal would look uncomfortably dilutive.

With a relatively small core business and an ambitious partner in WMI, Wessex has at least a fighting chance of establishing some credentials as a growth stock. Its bigger rivals might be better advised to stick to debt.

Euro Disney

Despite the celebrated arrival of the European market, investors should perhaps be wary of companies with names prefixed by "Euro". First came Eurotunnel, now Euro Disney – businesses with high-flown ambitions, grand financing needs and unfathomable investment prospects.

Euro Disney's news yesterday of poor attendance figures and a FFr492m first-quarter net loss was considerably worse than forecast. A profit is unlikely until at least 1995. The cost-cutting programme and marketing campaign may confound the worst sceptics, but even if successful, the immediate benefits to ordinary shareholders are uncertain. Any uplift is likely to be sapped by Walt Disney's management fees and royalties. This could cause financing problems for phase two of the project, especially since the stagnant French property market will prevent the easy realisation of development profits. Shareholders who have seen their shares fall well below the offer price are unlikely to stump up fresh funds. But, barring a turnround, Walt Disney may have to forego some of its fees.

Cost of capital

It seems that companies seeking fresh equity finance this year will be paying a very high price, at least according to the BZW equity-gilt study. Using a model based on current and projected dividend flows, the study calculates that the cost of equity capital reached a 30-year peak in 1991 and only fell back a little last year. This analysis confirms the widespread view that dividend growth will be heavily constrained; the last time capital cost so much was 1959 and real dividends fell for the next three years.

The implication is also that rights issues are currently an expensive form of finance. Under the circumstances companies should try to retain as much of their earnings as possible, rather than pay high dividends and seek external funding. Those with strong cash inflows may be able to expand faster than those relying on outside capital to gear up for economic recovery. The current vogue for recovery stocks may be getting ahead of itself.

As bank lending is also subdued, the bind on companies is tight and there may even be a general shortage of risk capital. However, by relying on the rapid dividend growth of the 1980s for expectations about the future, the model may over-estimate the cost of raising equity. Besides, companies feeling the pinch may not worry about the rate of dividends shareholders are expecting in future. They may still come for rights issues – if they can sell the underwriters a good story.

IBM

The departure of Mr John Akers from the helm of IBM may be a shock, but it is not a revolution. Mr Akers is still expected to pick an insider to succeed him. Further pain may be necessary before the company fully accepts its reduced role in a cost-efficient world where computers are commodities.

INSIDE

Elf to cut investment after 36.7% profit fall

Elf Aquitaine, the French oil group, is scaling back investment this year after announcing a 36.7 per cent fall in net profit last year to FFr6.2bn ($1.16bn). Mr Loïk Le Floch-Prigent, president, said: "Whatever the economic cycle, we must do better than in 1992." He stressed that the cut would not affect any big projects. Page 20

O&Y plan approved

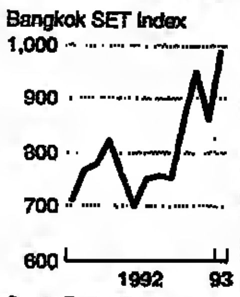
Olympia & York Developments is set to emerge from bankruptcy protection on February 1 following creditors' approval of an C$8.6bn ($6.7bn) debt-restructuring plan. Page 21

Change sought for timber trade

Developing countries will call for timber trade rules to be extended to non-tropical countries at today's meeting in Quito, Ecuador to negotiate a new timber treaty. The 1985 International Tropical Timber Agreement expires in 1994, and its fifty signatories have been divided about the form of a new treaty. Page 26

Thai brokers expect more gains

Bangkok SET Index



Source: Datastream

The Thai stock exchange rose above the 1,000 mark on Monday, albeit briefly, for the first time since August 1990. Most brokers expect the market to continue rising – the Thai economy is growing, the government is stable and last year's gloom among local investors has dissipated now that the police are preparing a case against Mr Song Watcharasriroj, better known as Sia Song, who has been accused of share manipulation. Back Page

End of a chapter for Sears

Over the next 12 months, Sears, Roebuck, the retailing and financial services giant, will close down the division on which the company's fortunes were founded. The Sears catalogue – a 1,500-page tome produced twice a year – circulates to 14m households and produces annual sales of $3.3bn. However, shutting down the catalogue operation staunches annual losses of $135m-$175m. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Horten	154.5	+	6.3	Bancaire Cie	433.5	+	13.4
Falls				Ocean	128.1	+	10.1
Aachen Mch Reg	780	-	15	Selimeg	425	+	14
DLW	443	-	6.5	**Falls**			
Lahmeyer	631	-	19	Essilor Int	393	-	12
Leifheit	387.5	-	7.5	Matra-Hachette	92	-	7.4
Porsche	440	-	24	Roussel-Uclaf	452	-	18
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
BankAmerica	53¼	+	1⅞	Daiichi Bank	540	+	40
IBM	50⅛	+	1⅜	Kawaguchi Chem	230	+	15
Premark Intl	43¾	+	4⅞	Nippon Denko	281	+	25
Walt Disney	45⅞	+	1¼	Tabaiyo Kaikan	216	+	14
Falls				**Falls**			
Amer Express	23⅞	-	1⅞	Just Vertle Chk	584	-	55
Merck	40⅛	-	1⅛	Shiseido	505	-	48

New York prices at 12.30.

LONDON (Pence)							
Rises				ICI	1135	+	20
ASW	126	+	8	Lloyds Bank	535	+	23
Abbey Natl	380	+	22½	MTL Instrmts	248	+	36
BICC	360	+	20	Mercury Asset	424	+	24
BP	241½	+	10	MFI	238	+	14
Baltic	45	+	11	Redland	469	+	27
Berisf	271½	+	3	Rothmans Int B	638½	+	27½
British Land	188	+	9	Stylo	148	+	22
Domino Pmtg	506	+	35	Tarmac	110½	+	8½
Flogas	255	+	40	**Falls**			
Forte	181	+	6	Glaxo	682	-	13
Guest	418	+	19	Ulster	26	-	2
Hambro Cwide	44	+	6	Woodchester	142	-	6
Hoggs & Hill	65	+	7				

Stora plunges into the red with SKr1.4bn loss

By Christopher Brown-Humes in Stockholm

STORA, Europe's biggest pulp and paper group, has announced a preliminary loss of SKr1.4bn ($190m) for 1992, worse than earlier expected and a sharp turnround from last year's SKr1.1bn profit.

It blamed the performance on excess capacity, lower prices for key products, a slowdown in Europe and the weak dollar.

The group says an operating loss of SKr900m was aggravated by SKr800m in extraordinary costs to cover further restructuring measures. Offsetting this were SKr300m in capital gains following the disposal of a power distribution unit and a packaging company in Thailand.

Prices fell for most products in the paper and cartonboard sectors during 1992 although deliveries to European markets rose 2 per cent.

The figures indicate the group incurred an operating loss of more than SKr500m in the final four months, following the SKr380m loss incurred in the first eight months. Analysts believe the group may now cut its dividend, which was SKr13 for 1991, when it announces its definitive 1992 figures in March.

Stora did not give a 1993 profit forecast, but indicated that industry conditions remained difficult. Although the group is likely to return to the black following the November devaluation of the Swedish krona, continuing over-capacity, depressed prices, and a downturn in the key German market will offset much of the benefit.

"It is expected that business conditions in North America will improve during 1993, while it seems that Europe will become weaker as a result of declining growth in Germany," Stora said.

"The strong dollar exchange rate reduces competition from North America, while simultaneously facilitating exports to the US and Asia," it added.

The group said it would benefit from devaluation, with net exports of some SKr12bn from Sweden. However, it noted that Germany was its most important market and hedging programmes meant it would only start to feel the effect of the currency change in March. The group said it cut costs by SKr1.7bn last year, and will produce savings of SKr2.4bn on a rolling 12-month basis.

It expects further savings of SKr1bn a year in 1993 and 1994, by cutting staff numbers by a further 2,500 employees in Sweden and abroad. This process will cut staff numbers to below 37,000, compared with 46,000 in early 1991.

Euro Disney loses FFr492m after visitor shortfall

By Alice Rawsthorn in Paris

EURO DISNEY, which has been plagued by problems since the opening of its EuroDisneyland theme park outside Paris last spring, yesterday disclosed that it incurred a net loss of FFr492m ($92.4m) in the first quarter of the current financial year.

The results, announced little more than a week after the resignation of Mr Robert Fitzpatrick as chairman, were worse than analysts expected and confirmed fears that Euro Disney will make a sizeable loss this year. The company's shares rose FFr2.70 to FFr67.20 yesterday.

Euro Disney had budgeted for a seasonal fall in attendance at EuroDisneyland during the first quarter, which covers the months from October to December.

But the actual number of visitors is believed to have been even lower than its original estimates, in spite of a busy Christmas period.

The shortfall also affected revenue from merchandise sales and hotels, one of which has been closed since the autumn. As a result overall revenue reached FFr944m during the quarter.

Although Euro Disney refuses to give specific figures, it has admitted that the total number of visitors for the first year will be below its original 11m target. Ms Rebecca Winnington-Ingram, leisure analyst at Morgan Stanley in London, said the company would be "hard pushed to reach 10m". The problems posed by the shortfall in attendance have been aggravated by the postponement of Euro Disney's plans for developing land around the park because of the weakness of the French property market.

The company had originally hoped to raise capital from property sales to reduce its debt. It is now trying to cut costs, mainly by attrition and by reorganising its catering and merchandising operations. However analysts are still pessimistic about its prospects.

Ms Winnington-Ingram forecasts a loss of pre-tax loss of FFr902m this year, against FFr339m last year, when the park was open for five months.

● Walt Disney posted unexpectedly strong first-quarter results in spite of Euro Disney's poor performance. Net income for the three months to December 31 rose 25 per cent to $260.3m, or 48 cents a share, from $208.1m, or 39 cents, a year earlier. Disney lost $43m from its share of Euro Disney's loss, which was partially offset by royalties.

Disney increased its quarterly dividend to 6.25 cents a share from 5.25.

Lex, Page 18

American Express shares fall as Robinson stays

By Alan Friedman in New York

THE share price of American Express, the US travel and financial services group, fell sharply yesterday as Wall Street reacted with displeasure to the news that Mr James Robinson had managed both to salvage his job as chairman and to have himself named chairman and chief executive of Shearson Lehman, the troubled investment bank and brokerage subsidiary.

Mr Robinson has been harshly criticised by Wall Street analysts for credit losses, lower profits and pressure on the company's share price. In early trading yesterday the price dropped by $2¼ to $23½, more than 8 per cent, before recovering to $23¾.

Reports of serious boardroom conflict had led investors to believe that Mr Robinson, who announced plans to step down as chief executive last month, would sever all ties to American Express. Instead the company made a surprise announcement on Monday that Mr Robinson would stay on as chairman and that he would take over from Mr Howard Clark as chairman and chief executive of American Express's Shearson Lehman banking and brokerage subsidiary. Mr Harvey Golub, the 53-year-old president of American Express, was named to take over as group chief executive.

"Most people would have preferred a cleaner management break. Mr Robinson is obviously successful as a boardroom politician," said Mr James Hanbury, an analyst at Wertheim Schroder, the New York investment bank.

Analysts were equally disappointed at losses reported for 1992 by Shearson, as well as by the near halving of American Express group net profits for 1992, to $436m. Mr Hanbury said it was "incomprehensible" that Shearson did not make money before taking special charges. He said Mr Robinson clearly had "a lot of work to do" at Shearson.

Mr Golub is believed to have told analysts that Mr Robinson would now report to him from Shearson. But several analysts said this could be complicated as Mr Robinson would still be nominally senior to Mr Golub as group chairman.

Background, Page 22

Big Blue is a prisoner of its history, explains Alan Cane

Akers' departure marks desperate battle for change

MR John Akers, whose announcement of his impending resignation as chief executive of International Business Machines yesterday shocked the business world, had hoped to lead the world's largest computer manufacturer through the $100bn (£65.7bn) annual revenues barrier.

Instead, he has written a less exalted page in business history. Mr Akers, 58, is the first IBM chief executive to leave his post before the statutory retirement age of 60 and the first to go because of the company's deteriorating performance.

His resignation after an eight-year-tenure is the most dramatic evidence that IBM is serious about solving the problems that have reduced it to a shadow of its former credibility and influence. It is all the more shocking because only two months ago Mr Akers' position seemed secure, when he claimed to enjoy the unanimous support of the IBM board.

Last week, however, IBM announced the greatest annual loss - $4.9bn - in US business history, giving potent ammunition to shareholders and critics on Wall Street. It was the computer giant's second year of losses in succession, with no suggestion that successive waves of expensive restructuring initiated by Mr Akers would lead to improved performance this year.

In December, he had already announced that 25,000 jobs would go and that factories would close in 1993 at a cost of $6bn.

Yesterday, the board cut the quarterly dividend from $1.54 to $0.54, and Mr Akers' fate was sealed. Wall Street responded enthusiastically to the news: "The investment community was looking for a change in management," said one broker. "They are looking for someone who can cut costs quickly. I think it is a very favourable move for the company."

Although many wondered how long Mr Akers could resist the pressure for his departure, his resignation was unexpected. That was chiefly because of his publicly expressed determination to oversee the company's recovery and the lack of any alternative stratagem that could return IBM to profitability more rapidly.

"I do not know how to put somebody in who could do better from inside or outside the company," Mr James Burke, former head of Johnson & Johnson and one of four outside directors on the IBM board, said last year. Mr Burke chairs the committee that will select Mr Akers' successor.

Increasingly, observers have detected signs of desperation at IBM's Armonk, New York State, headquarters. Last month Mr Akers recalled two former vice-chairmen, Mr Paul Rizzo and Mr Kaspar Cassani, both retired, to help the company through the crisis.

Now Mr Rizzo, who retired from IBM in 1987, is replacing Mr Frank Metz, who is also leaving before retirement age, as chief financial officer.

Mr Akers, a former Navy pilot who combines a brusque business exterior with considerable personal charm, is shouldering the blame for difficulties that analysts believe are as much the responsibility of his predecessors, Mr Frank Cary and Mr John Opel, as his own.

IBM is a prisoner of its history, tied to areas of the computer market that are neither the fastest growing nor the most technologically interesting. Mainframe computers, a sector IBM dominates and on which it used to make huge profits, are in decline.

The company is the market leader in personal computers, but the slim profit margins there are insufficient to support its sprawling bureaucracy.

Mr Akers' plan was to transform the company from a ponderous manufacturing megalith to a loose confederation of lean, fast-moving business units close to customers and the market, with an emphasis on the rapidly growing software and services sector.

While Mr Akers has his critics, few of them are offering alternative strategies. One that has gained some currency is to break the company up into its constituent businesses.

IBM's board has given itself about 90 days to find an individual with the toughness and flexibility to carry through the transformation.

In an unprecedented departure from tradition, the board has said it will consider candidates from inside and outside the company. Clearly, a new chief executive from outside IBM's rigid corporate culture would be at an advantage in pushing through necessary but unpopular measures such as involuntary redundancy - which was prohibited in IBM's glory days.

It remains uncertain, however, how long Mr Akers will remain chairman of the company, and that could significantly affect the free rein given an outsider to reform it.

Candidates from within IBM include Mr Robert LaBant, 47, vice-president and general manager of IBM North America, Mr Ned Lautenbach 48, a senior executive at IBM World Trade. Gamblers might like to risk a wager on Mr James Cannavino, 48, who made his name as general manager of personal systems, or Mrs Ellen Hancock, 49, general manager of communication systems.

Mr LaBant is seen by many as front runner. A genial man with an easy grasp of detail and a forceful style of speech, he is politically adroit and has the advantage of marketing success in mid-range systems rather than mainframes.

Along with Mr Lautenbach, he was one of three senior executives elevated to IBM's main executive committee last year by Mr Akers in a move that many interpreted as an indicator of the likely succession.

Mr Lautenbach is a member of an IBM clan. His brother Terry recently retired as number four in the management hierarchy and two other brothers are IBM salesmen.

Acknowledged as intellectually tough, Mr Lautenbach has neither Mr LaBant's easy speech nor smooth manner.

At 55, the third new member, Mr Patrick Toole, is seen as too old to be a contender. His overseeing of the company's mainframe operations may not bode well for his chances either.

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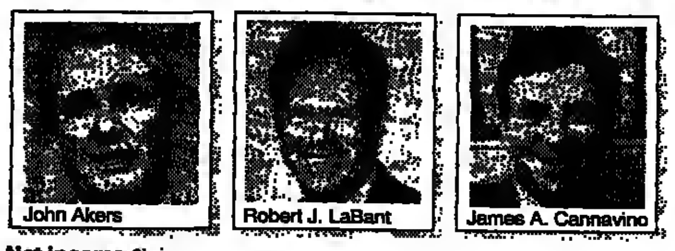
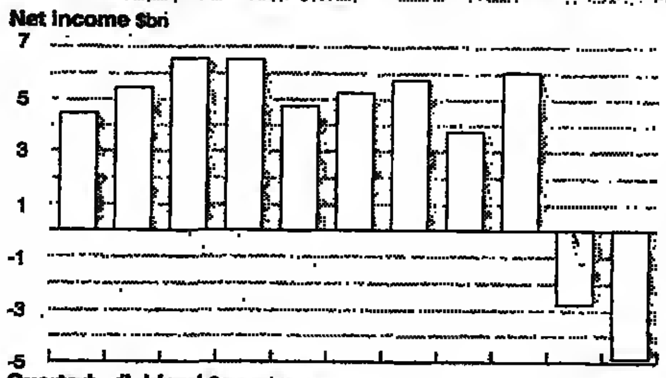
Akers: legacy and potential successors

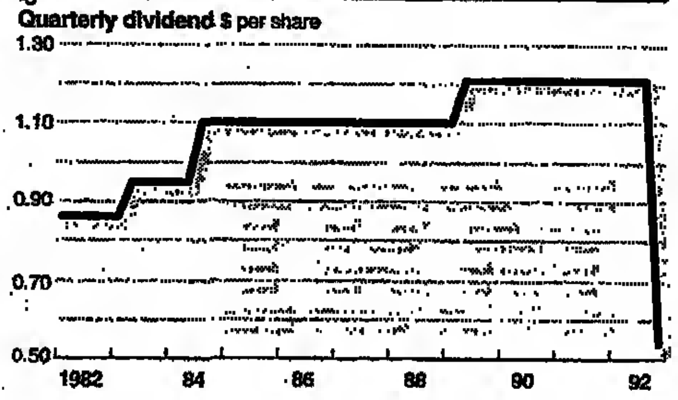


John Akers | Robert J. LaBant | James A. Cannavino

Net income $bn



Quarterly dividend $ per share



While Mr Akers has his critics, few of them offer alternatives. One is to break the company up into its constituent businesses.

WMI to lift UK water stake in NFC deal

By Angus Foster in London

WESSEX Waste Management, the joint venture between Waste Management International of the US and Wessex Water, is paying £113m ($173m) for the waste division of transport and logistics specialist NFC.

Wessex Water is raising £144.5m via a rights issue and other funding to pay for its share of the purchase, and leave £88m for future acquisitions.

As part of the deal, Waste Management will lift its stake in Wessex Water from 14.9 per cent to 20 per cent, with options to raise its holding further to 23 per cent from 1995.

WWM, which was set up in 1991, will become one of the top five waste specialists in the UK with annual turnover of more than £70m.

Mr Hood said the extra money raised could be used to buy smaller, add-on companies in areas where WWM was weak, or to buy large waste companies "when the price was right". WWM has recently looked at Econowaste, part of Tarmac, but it is believed the asking price of about £100m was too high.

An original standstill arrangement preventing WMI lifting its stake in Wessex above 20 per cent before 1998 has now been amended to 25 per cent.

Wessex is raising £82.8m through the rights issue, which is the first launched by a UK water company since privatisation in 1989. The one-for-six issue, which is fully underwritten by SG Warburg, is priced at 480p, a 15 per cent discount to the theoretical ex-rights price of 563p. Wessex's shares closed down 9p at 568p.

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Elf investment cut as profits tumble 36.7%

By David Buchan in Paris

ELF AQUITAINE, the French oil group, is scaling back investment this year as "policy of prudence," after announcing a 36.7 per cent fall in net profit last year to FFr6.2bn ($1.16bn) from FFr9.8bn in 1991.

Mr Loïk Le Floch-Prigent, president, said capital expenditure would be cut to between FFr26bn and FFr27bn this from FFr29bn in 1992 and oil and gas exploration outlays would be reduced to FFr4.2bn from FFr4.7bn over the same period. But he stressed this would not hit any big projects.

"Whatever the economic cycle, we must do better than in 1992," he said. "I have taken measures to ensure that." Last year, the group generated a cash-flow of FFr23.5bn, compared with FFr26.4bn in 1991.

The drop in net profits which Elf had clearly signalled last month, was the result of "a rare combination of unfortunate developments and sharp deterioration of margins" in a number of sectors, the Elf president said.

In their belief in an imminent economic upturn, European refiners have brought some plants back into operation and have halved their refining margin to an average of less than $3 a barrel.

Petrochemical investments planned in the late 1980s came on stream last year, while French farmers, in the uncertainties caused by EC farm reform and the Gatt trade negotiations, by the end of 1992 bad bought half the amount of fertiliser they had purchased a year earlier. However, Elf's speciality chemicals had done well, especially in the US, Mr Le Floch-Prigent said.

He said he had built the group's 1993 budget around an assumed oil price of FFr105 ($19) a barrel. But he would not exclude a drop to $13 to $14 a barrel, because Opec counties were over-producing.

The slowdown in investments reflected not only Elf's "prudence" but also the desires of some of its partners who were experiencing similar difficulties, Mr Le Floch-Prigent said.

Bouygues advances by 7% to FFr680m

By Alice Rawsthorn in Paris

BOUYGUES, the French construction group, saw its net profits rise by 7 per cent to FFr680m ($127.7m) in 1992 from FFr635m in 1991, according to provisional figures published yesterday.

The company, which last month won a FFr530m contract in Hong Kong to build a new football stadium and new headquarters for the Jockey Club, has not allowed for possible provisions on its losses on the Channel tunnel project.

Bouygues, one of the largest construction contractors on the Channel tunnel, has been in dispute with Eurotunnel, the tunnel operator, over payment for its work on the project. In 1991, it made a provision of FFr123m for its share of the losses on the scheme.

The group, like other construction companies, has been affected by the sluggish state of the international building and property markets. Its overall sales fell by 4.4 per cent from FFr64.3bn in 1991 to FFr61.5hn last year.

Mr Martin Bouygues, chairman, has been rationalising the group in an attempt to withstand the competitive state of the construction sector.

Mercedes-Benz slaughters a sacred cow

Kevin Done analyses the car manufacturer's decision to adopt a new pricing policy

MERCEDES-BENZ, one of the world's most prestigious and tradition-laden carmakers, has taken its time to wake up to the daunting dimensions of the challenges it faces in the rapidly-changing world car market of the 1990s.

But the Mercedes juggernaut is finally rolling. It arrived publicly at the starting line yesterday with an agenda for change which will astonish the rest of the world car industry.

With a breathtaking abandonment of its traditional air of arrogance, the company set out a strategy for change aimed at transforming its fortunes and position in the world car market by the end of the decade.

The bearer of the dramatic tidings was Mr Helmut Werner, the 56-year-old former tyre industry executive who takes over officially as Mercedes-Benz chief executive on May 27 from the long-serving Mr Werner Niefer. He joined Daimler-Benz in 1987 from Continental, the tyremaker.

Mr Werner, a potential candidate for the chairmanship of Daimler-Benz when Mr Edzard Reuter retires in the mid-1990s, revealed that the new Mercedes-Benz management team was now ready to challenge virtually all of the most dearly-held tenets of one of the world's most exclusive carmakers. There are to be no more sacred cows in Stuttgart. The company has accepted that radical changes in the world car market mean that Mercedes-Benz will no longer be able to demand premium prices for its products based on an image of effortless superiority and a context of the ultimate in automotive engineering.

With a disarming frankness – and a devastating attack on Mercedes-Benz's most recent past – Mr Werner admitted that if the company were to continue to "over-engineer" its products it would be "priced-out" of its markets. In order to avoid this "trap" the company has decided to turn on its head its whole product development strategy.

Instead of developing the ultimate car and then charging a correspondingly sky-high price as in the past, Mercedes-Benz is taking the dramatic and radical step of moving to "target pricing". It will decide what the customer is willing to pay in a particular product category – priced against its competitors – it will add its profit margin and then the real work will begin to cost every part and component to bring in the vehicle at the target price.

Such an approach is not entirely new. Chrysler has begun to use it to great effect to fuel its renaissance in the US, but at Mercedes-Benz this is the stuff of revolution. At the same time Mercedes-Benz is aiming to transform its range of product offerings by the end of the decade, changing from being "a car manufacturer with a long tradition in the luxury class" to become an "exclusive full-line manufacturer offering high quality vehicles in all segments of the market."

Mr Werner disclosed that Mercedes would add to its present three car ranges during the 1990s with a small "city car," possibly with electric propulsion as one variant, a "people carrier" in the mode of the Renault Espace, and a modern four-wheel drive leisure/utility vehicle.

The people carrier, or multi-purpose vehicle, is closest to the market and would be launched by late 1994 or early 1995, said Mr Werner. The vehicle, code-named T0, will be built in Vitoria in Spain. The company is planning to invest DM356m ($226m) in Spain, and the capacity of the plant will be expanded from 28,000 vehicles a year at present to around 60,000.

The new vehicle will be produced in two variants, as a passenger-carrying MPV and as a light commercial vehicle to replace the present MB-100 van. Mercedes is thus joining the fight in what promises to become one of the most fiercely contested segments of the European car market in the second half of the 1990s. Fiat and Peugeot are developing a plant for a rival vehicle in northern France, while Ford and Volkswagen are co-operating on a similar vehicle to be built at a jointly-owned plant in Portugal.

Mr Werner said that Mercedes-Benz's new direction was being forced by a conviction that "radical changes in the structure of the car market had necessitated the strategic reorientation of the company."

According to Mr Werner, "the traditional vertical market structure defined by engine size is increasingly giving way to a horizontal market structure. "Under the influence of factors such as stricter traffic and environmental requirements and a growing subjective component in vehicle use, the division of the market into luxury class, medium class and small cars is becoming less and less meaningful."

With a proliferation of niche vehicles such as MPVs, off-road vehicles and roadsters, it was body shapes and forms of propulsion that were becoming the more important distinguishing features, rather than engine size and performance. "Mercedes-Benz has to gear itself to a future market structured primarily around a diversity in vehicle concepts rather than around engine prestige value," he said.

As car buyers forsake the conspicuous consumption of the 1980s and place more stress on a vehicle's functional use than on its role as a status symbol, Mercedes is also beginning to investigate radical new ideas of "car ownership" and of selling cars.

By the late 1990s, Mr Werner suggested that personal car leasing programmes could be available, where the customer might have available several different vehicles during the year. The brave new world is not going to be won without pain and dislocation, however.

Airtours steps up battle for Owners Abroad

By Richard Gourlay in London

AIRTOURS, the UK holiday company, yesterday stepped up its campaign to show that the industry would remain "highly competitive" if its hostile bid for rival tour group, Owners Abroad, was successful.

In a letter to the Consumers' Association, an independent watchdog, Mr David Crossland, Airtours chairman, described as "grotesque" the suggestion that it would combine with Thomson, the market leader, to create a duopoly. A copy of the letter is being sent to the Office of Fair Trading which was last week asked by the Consumers' Association to recommend a referral to the Monopolies and Mergers Commission

Airtours is expected to explain its case to MPs, pressure groups and the OFT before the Department of Trade and Industry decides whether to refer the bid next month.

In its letter, Airtours accused the Consumers' Association of distorting statistics. Its claim that a combined Airtours and Owners Abroad would have a 34 per cent market share, ahead of Thomson, was wrongly based on extrapolating November's figures for summer bookings.

Airtours said all the evidence showed there was "intense price and other competition" in the market and that there had been no fundamental changes in the industry since Thomson took over Horizon in 1989.

Wallenberg back at SE Banken

SKANDANAVISKA Enskilda Banken, Sweden's biggest commercial bank, yesterday said Mr Jacob Wallenberg would be rejoining it to act as an adviser on business development, writes Christopher Brown-Humes in Stockholm.

Mr Wallenberg will be leaving his post as deputy managing director of Investor, the key Wallenberg sphere company.

He first joined SE Banken in 1984 and was responsible for North American and west European operations when he moved to Investor three years ago.

Daf delays announcement of recovery programme

By Ronald van de Krot in Eindhoven

PLANS by Daf, the Dutch truck maker, to unveil a far-reaching recovery programme in association with its bankers and the Dutch and Belgian authorities were delayed yesterday.

The company, which was due to announce plans yesterday afternoon for securing its future, postponed a press conference, saying "inconsistencies" had arisen in proposals put forward during discussions between Daf's management, a banking consortium led by ABN Amro of the Netherlands, Belgium's Flemish regional government and the Dutch government.

"We hope that a decision will be taken this evening, but we can give no guarantees," Mr Henk Momber, Daf's communications director, said last night.

The long-awaited recovery plan is forecast to include details of fresh financing for the loss-making company, including a possible decision by the Dutch state to take a stake in Daf to encourage the banks to continue providing finance.

Mr Momber declined to comment on reports that a deal had been held up by a failure to reach agreement with the Flemish authorities. Daf, which has major manufacturing operations in the Netherlands and Britain, also makes truck cabs and axles in Belgium and is counting on the Flemish authorities to agree to government-backed loans.

Sales at Nestlé move ahead 8%

By Ian Rodger in Zurich

NESTLE, the world's largest food group, said its consolidated sales grew 8 per cent in 1992 to SFr54.5bn ($37.78bn), broadly in line with a forecast made in November.

The group said the increase in sales volume, excluding the impact of acquisitions and disposals, was 3.3 per cent, compared with the 4 per cent rise in the previous year.

The decline was mainly due to a combination of recession and price increases in Brazil.

The sales figures include a substantial contribution from Source Perrier, consolidated since July 1. Up to the end of October, Perrier added SFr800m to sales.

The group will publish its profit and dividend proposal on March 24.

Porsche sees job cuts and further fall in sales

By Christopher Parkes in Stuttgart

PORSCHE faces another bleak year of falling sales and profits, short-time working and job cuts before it breaks even, possibly in 1993-94, Mr Wendelin Wiedeking, the sports car maker's chief executive, said yesterday.

Losses in the first half of the current year, to January 31, are expected to total about DM120m ($75.4m) on sales of just DM800m, he said.

Full-year results would be worse than in 1991-92, but he warned against extrapolating from the interim figures since the sports car industry's spring and summer peak sales season had yet to begin.

In 1991-92, Porsche lost DM66m on turnover down 13.5 per cent at DM2.7bn. Some 80 per cent of the decline was incurred in Anglo-American markets, he said.

Production this year would be cut by between 2,000 and 4,000 cars, he added. The group will make a maximum of 17,000 vehicles, compared with 19,000 in the year to end-July, 1992.

Production will be shut for a further 26 days by the end of July after 60 days' short-time in the first half.

Job cuts will reduce the workforce, which stood at 8,430 people at the end of the last financial year to about 6,400 by December, 1993.

Models would focus on two lines: one in the DM70,000-DM80,000 range and one in the upper price segment.

BankAmerica shares advance on solid earnings

By Patrick Harverson in New York

SHARES in BankAmerica rose sharply yesterday after the west coast banking group announced solid fourth-quarter earnings and the sale of about $1.7bn in problem property loans previously owned by Security Pacific, the California bank which merged with BankAmerica last year.

The bad loans will be sold to a new company being formed by Morgan Stanley Real Estate Fund and the net after-tax impact of the sale, following accounting adjustments, will reduce BankAmerica's assets by about $1bn.

The bank has, however, decided to buy a $100m stake in the new company acquiring the loans. The investment, said Mr Raphael Soifer, banking analyst with Brown Brothers Harriman in New York, was made "presumably to capture some upside potential in the assets."

The disposal of the property loans helped reduce the value of problem assets waiting to be sold – the bulk of them Security Pacific assets – from $5bn at the end of the previous quarter to $4.2bn. Also, analysts said the transaction with Morgan Stanley probably means BankAmerica will shelve its plans to set up a "bad bank" – a separate company that would have been created to hold the problem assets until they were sold.

Investors welcomed the disposal of the loans and the fourth-quarter results, bidding up BankAmerica stock to $53 on the New York Stock Exchange before the close, a net gain of $1⅝.

BankAmerica's profit of $473m during the October-December period, which included a $61m non-recurring charge on merger-related restructuring and other expenses, was virtually unchanged from the previous quarter.

The figures were not comparable to the $285m earned in the same quarter of 1991, a period before the merger with Security Pacific.

Total earnings for 1992 reached a record $1.49bn, against pre-merger profits of $1.12bn in 1991.

Although the results were in line with market expectations, analysts said investors were cheered by the news that the bank's intangible assets, most of it goodwill from Security Pacific, had risen by only $296m in the quarter.

This was a smaller increase than the market had feared, and well below the $900m rise in intangibles reported in the previous quarter.

Mr Dick Rosenberg, chairman of BankAmerica, warned the banking sector continued to face challenges in 1993.

Strong gains at US energy companies

By Karen Zagor in New York

COST-CUTTING measures and higher natural gas prices helped Chevron and Amoco post better-than-expected fourth-quarter operating earnings.

Chevron, one of the biggest *US oil and gas companies*, saw the quarter's earnings from operations soar to $542m, or $1.64 a share, from $283m, or 81 cents, last time.

Reported net income was distorted by one-time gains of $546m in the 1992 quarter and charges of $244m in the 1991 quarter, bringing net earnings to $1.09bn, or $3.30, in the latest quarter, against $39m, or 11 cents, the previous year. Revenues rose to $11.39bn from $10.39bn.

For the full year, Chevron had net income of $1.57bn, or $4.63 *a share, on revenues of* $42.89bn, compared with earnings of $1.29bn, or $3.69, on revenues of $40.95bn in 1991. In 1992, it took charges of $641m for accounting changes.

Amoco, the Chicago-based integrated petroleum company, recorded fourth-quarter income of $548m, or $1.10 a share. A year earlier it earned $153m, or 31 cents, including one-time charges of $47m. Revenues rose slightly to $7.24bn from $7.18bn.

For the full year, Amoco suffered a net loss of $74m, or 15 cents. Excluding new accounting standards, the company earned $850m, or $1.71.

In 1991, Amoco reported profits of $1.48bn, or $2.98 a share. Stripping out accounting changes, last year's earnings stood at $1.17bn, or $2.36.

Atlantic Richfield (Arco), the Los Angeles-based oil and gas company, turned in fourth-quarter net income of 372m, or $2.30, compared with $268m, or $1.67, last year. In the latest quarter, one-time gains of $76m were partially offset by environmental-related charges.

For the year, Arco earned $801m, or $4.96, compared with $709m, or $4.39, in 1991.

Stripping out accounting *changes and* other items, full-year earnings rose 5 per cent to $1.05bn, or $6.52, from $1bn, or $6.21, in 1991.

Unocal had fourth-quarter earnings from operations of $91m, or 34 cents a share, up from $21m, or 9 cents, a year ago. One-time items contributed to reported net earnings of $103m, or 39 cents, against a net loss of $16m, or 7 cents, last time.

O&Y debt restructure gains approval

By Bernard Simon in Toronto

OLYMPIA & York Developments is set to emerge from bankruptcy protection on February 1 following approval of a C$8.6bn (US$6.71bn) *debt restructuring* plan by the bulk of its creditors.

However, the revamped O&Y will be a pale shadow of what was the world's biggest property developer before it sought court protection last May.

The Reichmann family will remain O&Y's sole shareholders. But they will enjoy little economic benefit from their interest and will be stripped of any real authority over the company.

Day-to-day control will pass to a court-appointed administrator, who is expected to be Mr Robert Lowe, a partner in the Toronto office of auditors Coopers & Lybrand and one of Canada's leading insolvency experts. O&Y yesterday declined to confirm his appointment.

The main unsecured creditor group, *with claims totalling C$9.4bn, voted in* favour of O&Y's proposals after an eight-hour meeting on Tuesday. The claims include contingent liabilities related to the Canary Wharf project in London, which has been under the care of an administrator since May.

Of 35 lender groups which have voted over the past two weeks, 27 supported O&Y's plan, while eight rejected it. The eight dissenting groups are not expected to oppose the Ontario court order which is still required to put the plan into force.

However, the unsecured creditors, led by Citibank and Royal Bank of Canada, failed to press their demand that O&Y water down provisions of the plan which grant sweeping releases to Reichmann family members from future *claims and litigation*.

As one creditor lawyer noted, the lenders had to decide whether they were giving away more in the releases than they were gaining in other provisions of the plan.

Rejection by the unsecured group would probably have resulted in liquidation of the company.

Mr Gerald Greenwald, O&Y's president, said the restructuring provided direction and stability for O&Y's Canadian operations for the next five years, and allowed time to complete a reorganisation of the US assets. The US properties were not included in the court protection. Creditors are likely to seize several buildings in the US and Canada. Income from properties still nominally owned by O&Y will be used to pay off *the company's lenders*.

The main business of the revamped O&Y will be property management, conducted through a new operating entity, to be called O&Y Properties (OYP). OYP has secured contracts to manage several O&Y buildings.

Several of the Reichmann's longest-serving executives will leave O&Y over the next few weeks. The new property-management arm is expected to be run jointly by Mr Philip Reichmann, nephew of O&Y founder Mr Paul Reichmann, and by Mr Frank Hauer, Mr Reichmann's son-in-law.

Latest chapter in catalogue of revamps

Nikki Tait and Laurie Morse assess the planned changes at US retailer Sears, Roebuck

ED BRENNAN, chairman of Sears, Roebuck, was struggling to explain how the retailing and financial services giant could overhaul its loss-making catalogue business. "Trying to outline the catalogue strategy in three simple sentences is tough," he admitted wearily.

That was a year ago. This week, Sears' revised strategy could be summed up in three words: catalogue is axed.

Over the next 12 months, the Chicago-based group will close down the division on which the company's fortunes were founded, and snuff out a product that for much of the 20th century has symbolised "middle America". Even today, the Sears catalogue – a 1,600-page tome produced twice a year – circulates to 14m households and produces annual sales of $3.3bn.

The decision will cost 3,400 full-time and 16,500 part-time jobs, and lead to a $800m restructuring charge.

It will be accompanied by the closure of 113 smaller Sears department stores; the disposal of 35 specialist fashion shops; and a host of additional moves designed to streamline other parts of the retail business.

In total, 52,000 jobs will go (16,000 full-time and 36,000 part-time); about 12 per cent of the group's revenue base will be shed; and a $1.7bn charge *incurred to fund* the overhaul.

But, radical though these measures appear, a big question remains: can Sears really become a competitive force in today's US retail environment, or has the cost-base become so unwieldy, and its image so tired, that increasingly-aggressive competitors have an unassailable advantage?

Sears' problems have been well-aired – not least by dissatisfied shareholders, who have pushed for measures ranging from the demerger of the financial services subsidiaries to annual election of all directors.

The common perception is that Sears is a US behemoth, which allowed its number one position in the US retail sector to slip away in the 1980s.

Instead of focusing on the retail interests, critics claim, Sears diversified into financial services. It added brokerage and mortgage operations to its Allstate insurance business. With management's attention diverted, core retail operations became bureaucratic and uncompetitive.

No one could accuse Sears of ignoring these attacks. Over the past five years, it has announced numerous revamps and restructurings. Since the beginning of 1991, for example, around 48,000 jobs have been shed (although, prior to this week's announcement, Sears still employed 350,000).

A "power-format" strategy has been fed into many of the 850-plus department stores. This has involved dividing store space between seven distinct merchandise areas – appliances, home furnishings, women's fashions and so on – and reorganising the group's unwieldy buyer system.

Even on the *catalogue front*, there were strenuous efforts to streamline distribution and update sales techniques.

But by mid-1992, few signs of improved performance from the merchandise division had emerged. Frustration resurfaced at the annual meeting in May, and since then the pace of change has accelerated.

First, Sears added new board directors, including Mr Michael Miles, chairman of Philip Morris. Then, in September, it announced it would divest much of its financial services empire, a move still scheduled for mid-1993.

A month later, the company called in Mr Arthur Martinez, formerly finance director at Saks Fifth Avenue, to run its retail operations. (Previously, Mr Brennan had held this position, along with the roles of chairman and overall chief executive for the group.)

There is no doubt that this week's announcement – the first major development under the Martinez regime – represents the most significant restructuring yet at Sears.

Shutting down the catalogue operation is an emotional wrench, but it also staunches annual losses of around $135m to $175m. The stores which are closing are among the least profitable in the group. Overall, Sears claims these moves should add $300m annually to its bottom line.

At least some shareholders are pleased. The powerful California Public Employees Retirement System (Calpers), one of the most prominent critics in the past, said the latest cuts appeared to signal "a more focused approach, and should give the group a more sprightly image."

That said, the numbers still need to be seen in perspective.

Discontinued line: catalogue became a symbol of 'Middle America'

In 1991, Sears made a net profit of just $90m from its US merchandise operations, on sales of $34.8bn. (Credit operations then earned $394m, taking the merchandise group profit total to $486m.)

Some analysts question whether all the latest cost-savings will fall directly to the bottom line; even if they do, the return on sales is scarcely going to be stellar.

Moreover, given the emphasis in the US on "value" shopping – led by the discount store operators and the ultra low-cost warehouse clubs – it is questionable whether Sears' cost base, albeit reduced, permits it to compete effectively.

In 1991, for example, Sears' selling, general and administrative expenses per dollar of sales was around 29 cents. At Wal-Mart and K mart, the two biggest discount store operators, the figures were 15.2 cents and 21.2 cents respectively. Although Sears offers back-up services, which inflate its expenses base, and the mix of goods sold is *different*, even Mr Brennan concedes the discrepancy is too wide.

Finally, analysts need convincing the "new" Sears can post sustained sales growth. Domestic same-store sales gains did improve last autumn, and in December alone the company reported an 8.2 per cent advance.

However, pundits point out this was partly due to heavy promotional activity, and the sale gains probably came at cost of some profits in the Brand Central (electronics) and home-furnishings departments. The gain, moreover, was merely in line with progress made by other big store chains.

In short, Sears' latest restructuring is being interpreted as a necessary step, rather than one which spells a rebirth. "It will help them to perform better, to a minimally acceptable standard," says Ms Dorothy Lakner, at Oppenheimer & Co. "But whether it fundamentally improves their position longer-term remains to be seen".

Windy City likely to absorb jobless blow

THE closure of the catalogue and the 50,000 new layoffs at Sears nationwide is expected to cause barely a ripple in the economy of the Big Store's home town, *Chicago*. "It's *kind of an irony*," said Ms Diane Swonk, regional economist at First Chicago. "If this had to happen it's better to have happened in Chicago than in New York or Los Angeles." Metropolitan Chicago has weathered the recession better than those cities, she said. Other retailers are entering the Chicago market and should absorb the *estimated 4,500 area employees the restructuring* will make jobless. The Dayton-Hudson-owned discount chain, Target, plan to open stores, while electronics retailer Best Buy and Texas-based Nordstroms are also expanding.

Merck profit growth reflects sector trend

By Karen Zagor

MERCK, the world's biggest drugs company, yesterday provided further evidence of the slowing momentum of earnings growth in the drugs sector by posting a 17 per cent rise in underlying fourth-quarter earnings on the back of a 12 per cent increase in sales.

Although the results were broadly in line with expectations, Wall Street was disappointed that Merck's earnings growth had fallen below 20 per cent levels.

The company saw annual earnings increase by 19 per cent in both 1991 and 1990, and by 24 per cent in 1989. Shares in Merck lost $1 to $40⅞ before the close yesterday.

Fourth-quarter results were distorted by the adoption of new accounting standards, which brought net income for the three months to $609.1m, or 53 cents a share, on sales of $2.6bn. In the same period of 1991, Merck earned 529.8m, or 46 cents, on sales of $2.31bn.

For the full year, Merck had net income of $1.98bn, or $1.72 *a share, 6 per* cent below earnings of $2.12bn, or $1.83 cents, posted in 1991.

Stripping out after-tax charges of $462.4m, or 40 cents, for the adoption of new accounting standards, net income rose 17 per cent to $2.49bn, or $2.15 cents, in 1992. Sales were 12 per cent higher at $9.66bn, against $8.6bn.

Mr Roy Vagelos, chairman and chief executive, said strong unit volume, cost controls, better product mix and a lower tax rate contributed to income growth for the year.

● Warner Lambert, another large pharmaceuticals company, unveiled a 14 per cent increase in underlying fourth-quarter earnings to $137m, or $1.02 cents, from $121m, or 90 cents, a year ago. Sales rose to $1.47bn from $1.34bn.

In the 1991 quarter, Warner Lambert recorded an after-tax charge of $418m, or $3.11, which led to a net loss of $297.1m, or $2.21.

For the whole of 1992, net income was $643.7m, or $4.78, on sales of $5.6bn. In 1991, after-tax charges of $524m brought net income down to $84.8m, or 26 cents, on sales of $5.06bn. Excluding charges, Warner-Lambert said earnings rose 15 per cent in the year.

Supercomputer venture folds as funds dry up

By Louise Kehoe in San Francisco

SUPERCOMPUTER Systems, an ambitious US supercomputer venture launched five years ago with plans to build the world's fastest computer, has closed its doors after failing to raise funds to continue development work.

The company was founded by Mr Steven Chen, a supercomputer expert, when he left Cray Research in 1987. International Business Machines has funded Supercomputer Systems for the past five years, pouring $100m into the enterprise.

However, IBM told SSI last month it would not continue funding the venture beyond *the five-year period to which it* had originally agreed.

Mr Chen acknowledged his supercomputer development was behind schedule, but said the company had recently completed a prototype and had plans to deliver its first computer in October.

However, SSI's operations were closed on Monday and most of the company's employees laid off. Mr Chen said: "We were left with no alternative but to terminate our project at this point."

He added that he had been unable *to find an investment* banker willing to raise money through a stock offering, and that a worldwide search for new investors, to provide $60m needed to continue operations until the end of 1993, had also failed.

Northern Telecom up 24% to $253m

By *Bernard Simon*

SHARES IN Northern Telecom surged yesterday after the Canadian telecommunications equipment maker reported a surprisingly strong 24 per cent rise in fourth-quarter earnings.

Fourth-quarter earnings climbed to US$253m, or $1.02 a share, from $204m, or 83 cents, a year earlier.

Revenues rose 10 per cent to $2.54bn. Order backlog at the end of the year was a record $3.9bn, up 19 per cent from December 1991.

For the year as a whole, earnings climbed to $548m, or $2.17, from $515m, or $2.03. Revenues advanced to $8.41bn from $8.18bn.

On the Toronto stock exchange yesterday, *Nortel's* shares jumped by C$3.38 to C$57.38 (US$44.88) before the close.

Dr Paul Stern, chairman, said income from almost all product lines improved last year.

Slimmer margins in the highly competitive market for office switches was offset by stronger volumes. The bottom line also benefited from a drop in expenses to $1.56bn last year from $1.6bn.

Strong revenue growth in the US was due partly to the recovery of business deferred earlier in the year, and partly to expanding market share, especially at the expense of AT&T.

The two companies won a joint US$1bn order for digital switching systems earlier this week from Pacific Bell.

Dr Stern said the order would double Nortel's market share with the San Francisco-based utility.

Thanks largely to the 1991 takeover of Britain's STC, Nortel's revenues outside North America have grown from 8 per cent to 25 per cent of total business over the past four years.

Dr Stern predicted that proportion would rise further, but expressed disappointment with business conditions in Europe, which he blamed mainly on the overall economic slowdown.

In contrast to the lengthening list of North American technology companies announcing lay-offs and other cut-backs, Nortel said its workforce had grown by 2,000 in the past year to 58,500.

Compaq's stock surges on back of profits rise

By Karen Zagor

SHARES in Compaq Computer hit a 52-week high yesterday morning after the company reported a 34 per cent rise in fourth-quarter net income on sales which surged 63 per cent.

The results helped shares in Compaq climb $3¼ to $58 before the close of trading in New York.

Net income for the three months to December 31 was $89.5m, or $1.10 a share, on sales of $1.42bn, against net earnings of $66.6m, or 77 cents, on sales of $873.4m a year earlier.

Analysts had expected Compaq to earn between 80 cents and $1.01 *share* in the *quarter*.

Mr Eckhard Pfeiffer, chief executive, said: "We've seen record-setting demand for our entire product line since June when we began implementing our new strategy of offering price-leading products that feature Compaq quality and the *best service and support in the* industry."

Compaq said the number of PCs shipped in the fourth quarter more than doubled from the previous year, but its backlog was continuing into the 1993 first quarter.

"To accelerate our product output, we've added production lines, parts inventory and employee shifts in our Houston, Singapore and Scotland factories during the third and fourth quarters," Mr Pfeiffer said.

For the whole of 1992, Compaq's net *income* climbed 63 per cent to $213.2m, or $2.52, from $130.9m, or $1.49, in 1991. Sales were $4.1bn, against $3.27bn.

USX-US Steel blames imports for $225m loss

By Nikki Tait in New York

USX-US STEEL, the Pittsburgh-based steel company, yesterday reported an after-tax loss of $225m in the fourth quarter of 1992, sharply increased from the $165m deficit recorded in the same period of 1991.

It blamed the poor figures on a surge of low-priced steel imports during the final three months, although the figure was also reached after legal, environmental and other restructuring charges totalling $231m.

The fourth-quarter results bring the after-tax loss for the year, *before the effect of the* changes in accounting principles, to $271m.

However, this still contrasts favourably with a $507m deficit in 1991.

Sales for the quarter were down from $1.3bn in $1.24bn, but for the year overall rose from $4.86bn to $4.95bn.

After the effect of the accounting changes, which relate to the treatment of non-pension retirement benefits, USX-US Steel posted an after-tax deficit of $1.61bn, against a $507m loss in 1991.

USX Corporation, the consolidated parent company, reported a fourth-quarter *loss* of $343m after-tax, compared with a $394m deficit a year earlier, and reduced net deficit for the year of $160m ($578m) *before the impact of accounting* changes.

After this, the net deficit widened to $1.83bn.

Caterpillar holds deficit to $190m

By Laurie Morse in Chicago

CATERPILLAR, the US heavy equipment manufacturer, suffered a 1992 year-end loss of $190m, or $1.88 a share.

The loss, which excludes the effects of required accounting changes and had been forecast by the company, was largely the result of unprofitable operations in Brazil.

In 1991, the company recorded a loss of $404m, or $4 a *share, after taking* $373m in non-recurring charges.

For the fourth quarter, Caterpillar reported a loss of $28m, or 28 cents, compared with a *deficit of* $318m, or $3.16, a year earlier.

The fourth-quarter results exclude special accounting charges, but include a $56m one-time gain from the sale of assets to its lift-truck joint venture.

Sales for the year were $10bn, virtually unchanged from 1991. Fourth-quarter sales were $2.6bn, up from $2.4bn a year ago. The company said that while overall *sales values* were steady for the year, sales volumes dropped about 4.5 per cent.

Sumitomo Bank lowers profits forecast by 84%

By Rnbert Thomson in Tokyn

SUMITOMO Bank yesterday reduced its pre-tax profits forecast hy 84 per cent and announced plans for the write-off of Y100hn ($795m) of exposure to Itoman, a collapsed trading house.

Other large Japanese banks are expected to follow Sumitomo in announcing large write-offs and appraisal losses on stocks to take advantage of strong core earnings this year, which have been lifted by favourable margins following a reduction in interest rates.

Sumitomo said that its expected revenue for the year ending March remained unchanged at Y3,250bn, but the parent pre-tax profit forecast was cut to Y25bn from Y160bn and the consolidated forecast was reduced to Y35bn from Y180bn.

Apart from writing-off Y100hn of exposure to Total Resort Life, an Itoman group company, the bank said that earnings would be hurt by the weakness of the stock market, suggesting that it would report a large appraisal loss on its stock portfolio.

The announcement came a day before the formal establishment of the Co-operative Credit Purchasing Company (CCPC), an industry body designed to help clear the debris from the collapse of the asset bubble, which has left banks with an increasing hurden of non-performing, property-related loans.

From next Monday, the CCPC will buy the rights to the collateral of non-performing loans.

This will allow hanks to write-off their exposure more quickly and, in theory, put a floor under falling property prices through the independent assessment of the collateral.

Sumitomo has taken responsibility for dealing with Itoman, which is to be absorbed on April 1 by Sumikin Bussan, a metals trader and another member of the Sumitomo group.

As part of that plan, Sumitomo will write-off Y100bn this year, leaving it with an estimated Y500bn in Itoman group loans, which a bank official said would be reduced over the next five to six years.

The hank attempted to restructure Itoman, but conceded last year that the trading house, implicated in art and stock scandals, was beyond help and that ita reputation had been permanently tarnished.

Top cards at American Express fail to deal a winner

Alan Friedman finds investors unimpressed by the enhanced role for the US company's chairman

THE most eloquent judgment concerning the surprise announcement that Mr James Rohinson had survived as chairman of American Express and succeeded in having his protégé installed as chief executive came from Wall Street.

On Monday, with investors widely expecting Mr Robinson to leave the trouhled financial services and travel group, the company's share price continued to rise sharply.

It was widely known in the New York financial world that the American Express board was divided by internecine politics as Mr Robinson fought to save himself and have Mr Harvey Golub, the president, named as chief executive.

It was also learned yesterday that Sir Colin Marshall, chief executive of British Airways, was contacted by the search committee about the job, having previously been canvassed about s move to another position at American Express more than 18 months ago.

Then, late on Monday it was announced that Mr Goluh would take over as chief executive and that Mr Robinson would not only stay on as chairman but would also take over as chairman and chief executive of the lossmaking Shearson Lehman investment banking and hrokerage snbsidiary.

The American Express share price promptly went into a free-fall and before the close yesterday had dropped hy $2, a decline of nearly 8 per cent, wiping $1bn off the company's market capitalisation. Trading volume before lunch stood at 4.5m shares, more than three times the average level.

The consensus view among analysts is that tha 57-year-old Mr Robinson, who is hlamed hy many for presiding over a sloppy management and substantial credit losses at the group's card division, sbould have left the company.

But a handful of the normally-availahle Wall Street analysts who follow American Express agreed to comment only if they were not named. "This is a travesty. The entire market was hoping that Mr Rohinson would go. That is what we were led to believe in December," said one analyst at a leading New York securities firm.

"The market has not heen pleased with Mr Rohinson's stewardship of the company and had been hoping he would go. His joh now is to make Shearson run again and focus on costs," said Mr Guy Moszkowski, a leading analyst at Sanford Bernstein, a research company.

The group's 1992 net earnings, which fell hy 44.7 per cent to $436m, in part because of a $116m loss from Shearson Lehman, illustrated the financial problems at American Express.

Harvey Goluh: to take over as chief executive

The core Travel Related Services (TRS) division, for example, saw its 1992 net profit tumble to $243m from $396m in 1991. Admittedly, the decline was affected hy special charges. But the depth of problems at TRS and the need to cut staff and make provisions is more apparent when one considers that TRS made a profit of $956m in 1990, meaning its most recent earnings have collapsed hy 75.6 per cent in two years.

Analysts like Mr Moszkowski say it could take until 1996 before TRS returns to its 1990 level of profitability.

Analysts say investors had felt an enormous sense of relief about American Express ever since it emerged in early December that Mr Robinson had been asked by the American Express board to search for a successor as chief executive.

Although Mr Rohinson denied he was being forced out, executives at American Express say he fought "a battle royal" to hang on to both his joh as chairman and his prestige. "What be did was to take care of himself," said an American Express executive.

Mr Goluh, who was named hy Mr Robinson as president only 18 months ago, is respected for his technical skills, but is not considered a man of great vision.

The big loser in the American Express shake-up is Mr Howard Clark, the former gronp finance director who was installed as chairman and chief executive of Shearson two years ago. Mr Robinson yesterday took both of those jobs, banishing Mr Clark to the ill-defined role of vice-chairman of Shearson.

Mr Robinson declined to be interviewed yesterday, but in his official statement on Monday he said his primary mission would now be to work at Shearson Lehman. He even hinted at possihly making a public offer of Shearson stock. No one, meanwhile, is willing to predict how long he will atay on as chairman of American Express. The company and its investors are still reeling from Monday's ahake-up.

Treatment of futures fund advisers under review

By Tracy Corrigan

THE UK's Securities & Futures Authority is reviewing the treatment of trading advisers to futures funds, following representations from futures fund managers.

The issue will be discussed by the SFA's capital committee, which is made up of market practitioners, on February 1, an official said.

However, the SFA is not expected to meet demands for a separate membership category for trading advisers. According to an SFA official, this would not be viable due to the small number of trading advisers supervised by the SFA.

Currently, they are treated in the same way as arranging brokers who have some discretion over funds but do no handle clients' assets. Consequently, they face more onerous requirements than advisory firms.

However, a reduction in the capital requirement for trading advisers is being considered, based on the fact that they are not paid according to transaction volume and do not have control over clients' funds.

NEC pulls out of fiercely competitive VCR market

By Michiyo Nakamoto in Tnkyo

NEC, the Japanese electronics group, has withdrawn from the manufacture of VCRs in a move that highlights the increasingly harsh trading environment faced by Japanese consumer electronics manufacturers.

The decision hy NEC Home Electronics, NEC's wholly-owned subsidiary, to retreat from VCR production comes as the demand in Japan for audio-visual products has heen particularly sluggish.

"We decided to withdraw from manufacturing VCRs as it is no longer profitable due to the fierce competition," an NEC representative said.

To keep up in tbe market it is necessary to include more and more functions on machines while prices continue to fall dne to the popularity of mass market discount shops. "I believe there are hardly any companies making profits from VCRs," the NEC representative said.

NEC will continue to supply VCRs manufactured by Sanyo on an original equipment basis. However, it will not distribute to mass sales discount stores where price erosion can occur. Instead, it will restrict distribution to its 6,000 affiliated retailers throughont Japan.

Tbe drop in the domestic market for VCRs is a growing headache for Japanese consumer electronics manufacturers which are faced with a penetration rate in Japan and the US of more than 80 per cent. VCR shipments in Japan have fallen from a peak of 7.15m to an estimated 4.3m last year and are expected to decline further to 7.2m in 1993.

While NEC does not play a leading role in the Japanese VCR market, with between 5 and 6 per cent of market share according to the company, other major manufacturers of VCRs such as JVC and Matsushita, have also been forced hy the fall in demand to cut hack production. Last spring, JVC reduced its VCR shipments hy 20 per cent.

Isuzu turns in pre-tax loss of Y36bn for year

By Charles Leadbeater in Tokyo

ISUZU, the Japanese vehicle manufacturer which is 37 per cent owned hy General Motors of the US, yesterday reported a pre-tax loss of Y35bn ($282m) in the year to October, largely dne to declining antomobile sales in Japan.

The financial pressures on Isuzu, which has made a loss for three years, recently forced it to announce it was withdrawing from car manufacturing to concentrate on vans and commercial vehicles.

It has formed an alliance with Honda of Japan, which will supply it with cars, while Isuzu will supply Honda with recreational vehicles. Isuzn has also formed important alliances with other antomotive companies covering for the joint supply of components.

Isuzu's pre-tax loss last year was down from the Y54hn in 1991. The company's sales rose by 3.7 per cent to Y1,580bn. Overseas sales accounted for 51 per cent of its turnover.

Private banks to open in India

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

INDIA is to have large, new domestic privately-owned banks, the first in 25 years, under the latest stage of its economic liheralisation programme.

The new banks will compete directly with state-owned institutions which dominate the market and with foreign banks, which are active in many commercial centres, including Bombay, Calcutta and Delhi.

Indian industrial groups are planning to launch banks in the next year or two following the publication of guidelines last week for the entry of private companies into banking.

The Reserve Bank of India published the rules after many months of dehate among bankers and officials. Supporters of the government's wide-ranging economic reforms see hanking deregulation as an integral part of the programme, but senior executives of the powerful state-owned banks have tried to delay the opening up of the industry.

Indian banking has heen dominated by the state since 1969, when the government nationalised 14 leading banks and encouraged them to expand, taking banking into the villages. Banks were ordered to deploy 40 per cent of their agricultural loans to small businesses. Foreign-owned banks escaped nationalisation and new foreign banks were allowed into the country on tightly-restricted terms.

The first company to establish a new bank is expected to he Honsing Development Finance Corporation, a fast-growing private sector mortgage finance group. Other companies planning to enter the husiness include Tata and S K Birla, two of India's largest industrial conglomerates.

Much to the chagrin of smaller-scale entrepreneurs, inclnding Indians living abroad, the reserve hank has set high minimum capital for new banks of Rs1hn ($35m), a hurdle which would seem to rule out small banks. The new institutions will be required to ensure their capital amounts to at least 8 per cent of assets. They will also – like existing state-owned hanks – be ohliged to lend to farmers and small husinesses, a requirement which could prevent the new institutions from trying to cream off the most profitable segments of the banking market.

The reserve bank will also have the right to determine how large the founder-company's share of the bank's capital should be and how much of the equity should be set aside for sale to other shareholders, including the puhlic. This rule will enahle the central bank to keep close control of bank ownership.

The long-awaited announcement of the private-sector bank rules meets one of two conditions laid down hy the World Bank for a $500m loan to India for restructuring its financial markets. The other condition, yet to be met, is that India should clean up the bad debts of the state-sector banks which total some Rs170bn. Much of this has heen lent to loss-making state-owned industrial companies.

INTERNATIONAL CAPITAL MARKETS

Growing foreign, domestic demand for French equity

By Antonia Sharpe

THE success of last week's sale of shares in Rhône-Poulenc, the French state-controlled chemicals company, is good news for whoever wins the country's legislative elections in March, since privatisation is an increasingly attractive way for both the left and the right to fund the public debt.

INTERNATIONAL EQUITY ISSUES

Although the Rhône-Poulenc offer was relatively small and attractively-priced – 6m shares at FFr500 ($93) apiece – the healthy oversubscription of the domestic, international and US tranches indicate there is demand at home and abroad for French equity. There is a possibility that a further 405,000 Rhône-Poulenc shares will be made available to satisfy demand from US and international investors.

Further sales are unlikely before the elections. However, if the opinion polls are right and a conservative alliance of the RPR and UDF parties headed by the ex-finance minister Mr Edouard Balladur takes power, investors can expect a marked acceleration. If the incumbent socialist government clings to power, investors should still expect further offerings in state-owned companies, albeit at a slower pace.

A deterioration in the economy and a growing budget deficit have forced the present government to abandon its "ni-ni" (neither privatisation nor nationalisation) policy. The main impact of weak economic growth has been on fiscal revenue. According to official estimates, there has been a revenue shortfall of FFr180bn ($33.9bn) over the past two years and it is set to worsen. Economists at UBS Phillips & Drew believe the government's budget deficit forecast of FFr165bn for 1993 is too optimistic. They estimate a deficit of FFr300bn.

At 4 per cent of GDP, the deficit is small in an international context, but nevertheless it was an overriding factor in the government's decision to sell shares in the oil companies, Total and Elf, the local lender Crédit Local, the aluminium and packaging group Péchiney, and most recently, Rhône-Poulenc.

Mr Balladur has unfinished business on the privatisation front. As finance minister in the late 1980s, he was only 40 per cent through his FFr300bn privatisation programme when he was blown off course by the global stock market crash of October 1987.

Mr Balladur has said he would want to raise around FFr30bn from privatisations in 1993 and up to FFr60bn next year. But analysts say that to ensure a warm reception, especially from domestic individual investors, he would have to increase the incentives for investing in equities.

One way would be to lighten the tax burden on the Plans d'Epargne en Actions, the French equivalent of personal equity plans, but at the cost of penalising the more popular money-market funds Sicavs or investment funds. Plans to reform the French pension system by setting up private pension funds would also help.

Observers say any delay in implementing such measures could mean Mr Balladur would only be able to raise about FFr15bn this year. He would also have to read correctly the mood of the stock market, something the current government has been successful at, if he wants to achieve his targets.

Mr Balladur is likely to resume his privatisation programme with the big insurance companies, UAP and Gan for example. The banks would also be given priority if the Bundesbank kicks off a round of interest rate cuts across Europe, which would increase investors' appetite for interest rate-sensitive stocks.

Elf Aquitaine is also a likely target, and its chairman, Mr Loïk Le Floch-Prigent, has been reported as saying it is no longer necessary for the state to have 50 per cent in Elf in order to retain control.

Gilts rally sharply following surprise base rate cut

By Antonia Sharpe in London and Patrick Harverson in New York

UK GOVERNMENT bond prices rallied strongly in the wake of yesterday's surprise cut in base rates. Dealers said that they had been expecting a

GOVERNMENT BONDS

cut before the Budget on March 16, but that yesterday's move had beaten their expectations by a few weeks.

Dealers said there was now talk of a further base rate cut before the Budget.

The sharp price rise sparked by the rate cut caused a scramble among the market-makers who rushed to cover the short positions which they had taken out ahead of today's gilt auction.

However, traders said the £2.5bn auction of 8¾ per cent Treasury stock due 2007 should still proceed smoothly.

The prospect of a large supply of long-dated paper coming to the market held the gain at the longer end to just under a point, while the shorter end rose well over a point, causing the yield curve to steepen further.

The Liffe March gilt future ended at 101.03, up one point on the day but off the day's high of 101.23.

Volume in the futures market was high at 60,650 lots.

■ ITALIAN government bond prices jumped over half a point following the UK base rate cut, which raised hopes of an imminent cut of at least half a point in Italy's discount rate.

These hopes were further fanned by data from the city of Bologna, which showed that Italian inflation fell to 4.3 to 4.4 per cent year-on-year in January from 4.8 per cent in December, and by a fall in yields on three-month paper and in average rates at the Bank of Italy's repo.

Dealers said that buying interest in Italian government bonds was gaining momentum, because Italy's interest rates had fallen far slower than the UK's since last September when both countries' currencies left the European Exchange Rate Mechanism. Italy's discount rate currently stands at 12 per cent.

The Liffe March Italian contract rose 0.56 point to 95.83, on volume of 15,333 contracts, off the day's high of 96.02, while the benchmark 12 per cent bond due 2003 rose 0.61 point to 95.87.

■ GERMAN government bond prices were hit late in the day by a warning from the Bundesbank president, Mr Helmut Schlesinger, that an increase in inflationary trends would rule out a cut in interest rates, particularly when those trends could be prevented.

The Liffe March bund contract came off the day's high of 92.97 to end at 92.71, up 3 basis points on the day in above-average volume of 73,889 lots.

Earlier in the day, DM3bn worth of 10-year bonds from the Treuhand privatisation agency was sold via a consortium of both German and foreign banks. The paper carries a 7¼ per cent coupon and a launch price of 100.50 to yield 7.06 per cent.

In late grey market trade, it was quoted at 99.74/80. A second amount will be auctioned today and a third amount will be allocated to the central bank for market intervention. Dealers expect the bond to total DM8bn.

■ PROFIT-taking following Monday's big rally and positioning ahead of an injection of fresh supply, left longer-dated Treasury securities markedly lower yesterday morning.

By midday, the benchmark 30-year government bond was down 13/32 at 104 13/16, yielding 7.223 per cent. At the short end of the market, the two-year note was unchanged at 100¾, to yield 4.197 per cent.

Supply pressures exerted their influence on the market early yesterday, with dealers marking down prices ahead of the afternoon auction by the Treasury of $15.25bn in two-year notes.

The Treasury is also due to auction five-year notes later in the week.

FT FIXED INTEREST INDICES

	Jan 26	Jan 25	Jan 22	Jan 21	Jan 20	Year ago	High*	Low*
Govt Secs (UK)	94.46	93.70	93.59	94.05	93.48	87.84	95.54	85.11
Fixed Interest	109.37	108.31	109.28	108.69	108.67	98.88	110.28	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.28 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices	Jan 25	Jan 22	Jan 21	Jan 20	Jan 18
Gilt Edged Bargains	128.4	115.0	140.8	124.6	116.2
5-Day average	124.5	122.3	118.6	110.2	104.5

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9104	-	8.77	8.78	8.82
BELGIUM		8.750	06/02	107.6500	+0.400	7.68	7.82	7.94
CANADA *		8.500	04/02	103.1000	+0.500	8.01	8.08	7.85
DENMARK		9.000	11/00	102.9700	+0.020	8.45	8.45	8.65
FRANCE	BTAN	8.500	03/97	101.9168	-	7.92	7.73	8.02
	OAT	8.500	11/02	103.9800	+0.010	7.89	7.74	8.09
GERMANY		8.000	07/02	105.7700	+0.150	7.14	7.10	7.23
ITALY		12.000	05/02	95.6900	+0.700	13.15†	13.39	13.39
JAPAN	No 119	4.800	06/99	102.8190	-0.158	4.24	4.22	4.51
	No 145	5.500	03/02	107.6664	-0.003	4.33	4.35	4.56
NETHERLANDS		8.250	09/02	107.2100	+0.030	7.18	7.09	7.28
SPAIN		10.300	06/02	81.7250	+0.245	11.77	12.08	12.43
UK GILTS		10.000	11/96	110-21	+27/32	8.77	7.12	7.22
		9.750	08/02	110-15	+1¼	8.15	8.41	8.31
		9.000	10/08	102-15	+24/32	8.70	8.81	8.58
US TREASURY *		8.370	08/02	99-10	+21/32	6.43	6.61	6.68
		7.625	11/22	105-02	+23/32	7.21	7.34	7.37
ECU (French Govt)		8.500	03/02	100.2500	-1.800	8.35	8.22	8.63

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.0 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Finland reopens global offering with $1bn, five-year deal

By Tracy Corrigan

TWO large offerings yesterday for the Republic of Finland and the Canadian Province of Alberta benefited from strong demand for dollar securities. International investors' appetite for dollar bonds has been sharpened by relatively con-

INTERNATIONAL BONDS

trolled supply in the Eurobond market and a rally in the US Treasury market.

Finland reopened its $2bn global bond offering launched last November, adding a further $1bn of five-year paper. The issue, arranged by Nomura, JP Morgan and Merrill Lynch, is due to be priced today to yield between 63 and 65 basis points more than the five-year Treasury.

The outstanding bonds are trading at a 62 basis point yield spread, having tightened substantially from an initial launch spread of 82 basis points, as fears over Finland's credit abated somewhat.

Finland, which is rated Aa2 by Moody's and AA by Standard & Poor's, the US ratings agencies, has a borrowing programme close to FM60bn ($11.3bn) in 1993, which will be split between the international and domestic markets.

However, some traders are sceptical about the domestic market's ability to absorb large amounts of debt and expect more than half the country's funding needs to be met in the international market.

Alberta launched a $500m issue of 10-year bonds, arranged by JP Morgan, which were priced to yield 47 basis points more than the comparable US Treasury.

The pricing was set at the tight end of the indicated range, reflecting strong demand for the paper.

A deal for Empresas ICA, Mexico's largest construction company, also met enthusiastic demand.

The issue, arranged by Lehman Brothers, was increased to $225m, reflecting strong appetite for higher-yielding debt. The bonds were priced to yield 415 basis points over the five-year US Treasury.

● Bayerische Landesanstalt für Aufbaufinanzierung (LfA), a Munich-based bank wholly-owned by the Free State of Bavaria, is set to make its debut offering in the Eurobond market, writes David Waller in Frankfurt. The $250m five-year issue, arranged by the Swiss Bank Corporation, is expected to have a coupon of around 6 per cent.

The LfA, rated triple-A by Moody's in December 1991, is Bavaria's fifth-largest bank. Its statutory task is to promote trade and industry in Bavaria, and it also finances Bavarian companies' investments in eastern Europe. Last year, it raised DM3.2bn ($2.1bn), primarily in the German capital markets, but in future it intends to make more use of the Euromarkets.

The state of Bavaria is fully liable for the LfA's liabilities.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Alberta	500	7	99.56	Feb.2003	0.325/0.2	JP Morgan Securities
Empresas ICA(a)	225	9.75	99.5	Feb.1998	1/0.625	Lehman Brothers Int.
Maeda Corp.(b)♦	200	2.5	100	Feb.1997	2.25/1.5	Daiwa Europe
Credito Italiano(London)(c)‡	150	(c)	100	Feb.2000	0.16/0.1	Kidder, Peabody Int.
SXL Corp.(d)♦	80	2.5	100	Feb.1997	2.25/1.5	Yamaichi Int.(Europe)
Eagle 5(e)‡	81.27	(e)	100	Feb.1998	1/0.875	Daiwa Europe
D-MARKS						
Crédit Foncier de France(f)	500	7.25	102.275	Feb.2003	3/2.175	Deutsche Bank
GECC(g)‡	200	(g)	101.8	Feb.2003	1.95/0.85	IBJ(Deutschland)
Deutsche Fin.Netherlands(h)‡	200	(h)	101.3	Feb.2003	1.45/0.85	Deutsche Bank
SWISS FRANCS						
Kantor Biomedical(a,i)†§	39	3.75	100	Mar.1997	1.625/1.375	Daiwa Secs.Bk.(Switz.)

Final terms and non-callable unless stated. ★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. a) Semi-annual coupon. b) Final terms fixed on 2/2/93. c) Coupon pays 6-month Libor + 0.375%. Callable with 30 days notice at par on interest payment dates from Feb.1997. Putable on Feb.1997 interest payment date at par. d) Final terms fixed on 4/2/93. e) Coupon pays 6-month Libor + 0.8%. f) Issue launched on 13/1/93 was increased to DM2bn. g) 9% fixed annual coupon in first year, 8% fixed annual in second year and 12.875% - 6-month Libor thereafter. h) 8.5% fixed annual coupon in first year, 8% fixed annual in second year and 13% - 6-month Libor thereafter. i) Final terms fixed on 1/2/93. Callable and putable at 108.75% on 31/5/95. Callable on 30/11/95 at 101.5% declining by 0.5% semi-annually.

Bank to resume Ecu issuance programme

By Sara Webb

THE Bank of England plans to sell Ecu500m of three-year notes next month, resuming its Ecu issuance programme after the turbulence seen in the last months of 1992.

The announcement is the second recent sign of commitment to the Ecu market. On Friday, the French Treasury said it would hold an auction of between Ecu500 and Ecu700m of 10-year government Ecu bonds tomorrow.

The Bank was forced to cancel its October tender of three-year Ecu Treasury notes last year because of tensions in the European financial markets.

However, tensions within the European exchange rate mechanism have recently eased. The first tender is scheduled for February 2, when the Bank plans to sell Ecu500m of notes due January 23, 1996.

The Bank sold Ecu2bn of three-year Ecu notes in 1992.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	0	3
Other Fixed Interest	5	0	10
Commercial, Industrial	585	117	723
Financial & Property	476	32	292
Oil & Gas	24	3	58
Plantations	1	0	8
Mines	30	16	95
Others	14	33	59
Totals	1,210	201	1,248

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. s Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons	600	0	37	47	8	23	41
(*605)	650	½	17	24	54	55	75
ASDA	60	6½	10	14	½	4	6
(*66)	70	1	5½	10	4½	9½	12
Brit. Airways	260	16	28	35	1	9½	20
(*274)	280	1½	17	25	7	19	30
SmKl Bchm A	500	4½	27	46	3½	24	32
(*500)	550	1	11	25	51	56	64
Boots	500	27	41	53	2	11	22
(*524)	550	1	16	25	27	35	47
B.P.	240	4	15½	21	3	12	18
(*241)	260	1	6	12½	19	26	30
British Steel	60	8	11	14½	1	4	7½
(*67)	70	1	6	10	4	9	12½
Bass	600	9	36	52	5	26	40
Storehouse	200	14	24	41	2	7	15
(*213)	220	2½	14	21	11	17	23
Trafalgar	90	9	11	16	1½	5½	11
(*98)	100	1½	8	10½	5	12	16
Utd. Biscuits	360	10	21	28	2½	17	23
(*368)	390	1	7	15	24	37	42
Unilever	1100	27	59	75	3	28	42
(*1120)	1150	2	28	51	30	57	70

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero	220	21	36	45	11	30	35
Barclays	420	27	37	45	23	30	40
(*432)	460	10	21	28	50	55	63
Blue Circle	200	27	34	41	10	20	25
(*216)	220	17	23	32	19	30	35
British Gas	280	21	23	29	5	12½	16
(*293)	300	9	12	19	15	24	26
Dixons	220	26	34	38	7½	13	19
(*234)	240	14	22	28	17	24	29

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Eurotunnel	390	38	55	68	20	32	40

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FT-SE INDEX PUTS

Feb	3	6	11	23	42	73	120	170
Mar	13	19	28	42	63	90	124	167
Apr	21	31	43	60	79	106	136	173
May	32	42	54	73	93	118	149	186
Jun †	-	-	-	88	-	-	-	-

January 26 Total Contracts 52,302
Calls 37,201 Puts 15,101
FT-SE Index Calls 12,089 Puts 8,042
Euro FT-SE Calls 387 Puts 1,280
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTIONS

● First Dealings Jan. 25
● Last Dealings Feb. 12
● Last Declarations May 6
● For settlement May 17

3-month call rate indications are shown in Saturday editions.

Calls in **Caverdale, D.C. Cook, Dobson Park, Haemocell, Lucas Inds. Ord. and Warrants shares, Mirror Group, Pifco A, Premier Cons., Radius** and **Suter.** Put in **Tay Homes.** Doubles in **AMEC, Betterware and Regalian Props.**

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by *The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.*

The FT-Actuaries *All-Share Index* is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Jan 26	Day's change %	Mon Jan 25	Accrued Interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.24	+0.74	127.30	8.96	1.67
2	5-15 years (22)	146.24	+1.03	144.74	1.80	1.54
3	Over 15 years (8)	150.96	+0.68	149.94	1.30	1.05
4	Irredeemables (6)	171.28	+0.56	170.33	2.28	0.00
5	All stocks (60)	142.27	+0.88	141.04	1.45	1.51
	Index-Linked					
6	Up to 5 years (2)	185.46	+0.72	184.14	1.24	0.00
7	Over 5 years (11)	167.23	+1.27	165.13	0.51	0.62
8	All stocks (13)	168.48	+1.20	166.48	0.59	0.55
9	Debs & Loans (62)	124.67	+0.47	124.09	3.17	0.26

AVERAGE GROSS REDEMPTION YIELDS

			Tue Jan 26	Mon Jan 25	Year ago (approx.)
	British Government				
1	Low	5 years	6.69	7.00	8.70
2	Coupons	15 years	8.24	0.34	9.21
3	(0%-7¾%)	20 years	8.55	8.62	9.21
4	Medium	5 years	7.15	7.40	9.51
5	Coupons	15 years	8.68	8.78	9.30
6	(8%-10¾%)	20 years	8.90	8.98	9.24
7	High	5 years	7.33	7.59	9.75
8	Coupons	15 years	8.94	9.05	9.38
9	(11%-)	20 years	9.03	9.12	9.30
10	Irredeemables (Flat Yield)		8.91	8.96	9.43
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.17	2.40	3.88
12	Inflation rate 5%	Over 5 yrs.	3.73	3.82	4.28
13	Inflation rate 10%	Up to 5yrs.	1.31	1.54	3.21
14	Inflation rate 10%	Over 5 yrs.	3.54	3.62	4.10
15	Debs &	5 years	0.74	8.02	11.04
16	Loans	15 years	9.80	9.88	10.80
17		25 years	10.01	10.06	10.62

Budgens hits £3m despite competition

By Andrew Bolger

BUDGENS, the small food retailing chain, maintained its recovery in profitability in the opening half year in spite of what it described as "unprecedented competitive action" by the leading supermarket groups.

The chain, where institutional investors installed new management in 1991, increased pre-tax profits from £2.24m to £3.07m in the six months to November 8, although turnover slipped slightly to £154.2m (£156.6m).

Mr John von Spreckelsen, chief executive, said that last year the big supermarket chains such as Sainsbury, Tesco and Waitrose opened stores with an area of 800,000 sq ft in the vicinity of Budgens' outlets, which have a total area of 600,000 sq ft.

He added: "To hold turnover in the face of such competition indicates the improvements we have made to our stores to enhance customer loyalty, and augers well for the future."

Although the number of people using Budgens' stores increased slightly, the group suffered from a lower spend by individual customers, especially during August, September and October, together with a severe deflation in produce prices.

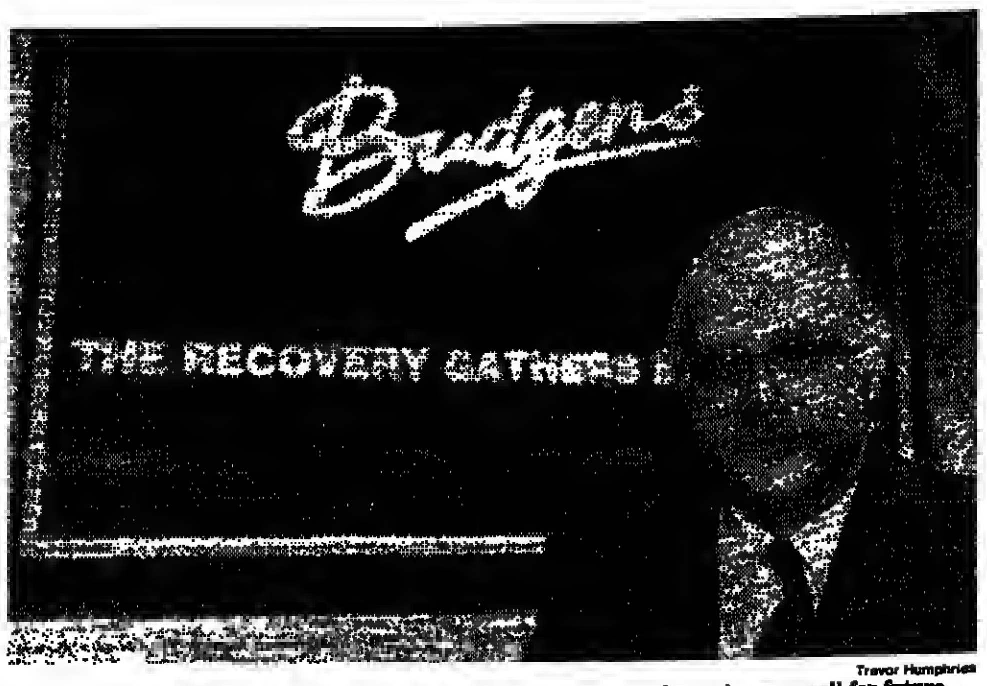
Mr von Spreckelsen said that although it had been impossible to increase prices in the difficult trading environment, the group had increased operating margins from 2.08 per cent to 2.72 per cent.

In line with other food retailers, Christmas trading started slowly but improved right through to Christmas Eve, although Budgens is traditionally less affected by Christmas trade than its larger rivals.

An exceptional charge of £250,000, compared with a gain of £842,000 last time, covered the costs of closing four stores in poor locations. The group, which has just under 100 stores, opened three new stores during the half-year and a further two have come on stream since then. Two more openings will take place in central London before the year-end.

Earnings per share were 1.45p (1.46p). The interim dividend was passed again, but the board said it was confident that it would be able to resume dividend payments again with the full-year results.

Positive cashflow, control of working capital and the proceeds from 1991's £21.7m placing helped reduce interest payment from £1.9m to £838,000.



Trevor Humphries

John von Spreckelsen: improvements have enhanced customer loyalty and angur well for future

● COMMENT

Mr von Spreckelsen's new management team continues to make sensible progress, but the degree of competition it faces is starkly illustrated by the amount of competing space other supermarkets have opened in the past year. The group has gained from improved buying power, distribution and local pricing policies, but analysts wonder how much more benefits there are to come. There was some disappointment that an interim dividend was not paid, but that again seems to reflect justifiable caution about the trading outlook. Forecast full-year profits of £6.7m put the shares, down 1p at 46p, on a prospective multiple of 14.4, a slight discount to the sector. The shares have risen nearly 50 per cent since August, and seem high enough – particularly given long-term doubts about whether there really is a place in the high street for Budgens.

Glaxo to re-enter OTC market

By Paul Abrahams

GLAXO, Europe's largest pharmaceuticals company, yesterday confirmed its intention to re-enter the over the counter (OTC) non-prescription drugs market.

The group announced that Mr Arthur Pappas, an existing board director, would take responsibility for OTC products. His task, according to the company, will be to develop and implement an OTC strategy for the group's existing product portfolio.

All possible methods of achieving this would be reviewed, said Glaxo. According to analysts, this might include creating, manufacturing and marketing OTC products from scratch, making an acquisition, or securing a series of co-development and co-marketing alliances.

During the past week, both the UK and US analysts have been worried that Glaxo might dilute its earnings by acquiring Warner-Lambert, the US' fourth largest OTC group after Proctor and Gamble, Johnson & Johnson, and American Home Products. Glaxo's shares fell 13p yesterday to 682p in a sharply rising market.

Mr Mark Brewer, pharmaceuticals analyst at brokers Credit Lyonnais Laing, said Glaxo's announcement was part of a strategy to protect some of Zantac's cash-flow. New drugs, such as Astra's Losec are taking market share. The medicine's US patents up to 2002 are also being challenged. If they are successfully challenged, the drug could face generic competition after 1995.

Mr Pappas is relocating from Singapore to the US where both of Glaxo's main competitors in the anti-ulcer market, Merck with Pepcid and SmithKline Beecham with Tagamet, are planning to move their products OTC.

Analysts believed that Glaxo would be unable to convince regulatory authorities to license full-strength Zantac for OTC use, and would have to combine a weaker version with some form of anti-acid for upset stomachs.

Mr Pappas keeps his position as managing director for Latin America. He is handing over responsibility for Asia Pacific to Mr Neil Maidment, managing director Glaxo China and Glaxo Hong Kong who becomes an executive director.

US stakebuilding clouds future for Wessex Water

By Angus Foster

WESSEX WATER's future has simultaneously become clearer yet more murky.

Yesterday's fund raising and acquisition by its joint venture waste business, Wessex Waste Management, signalled the company's determination to build a meaningful arm outside the water core, and ended speculation that it may branch out into a third area.

At the same time, however, the increased shareholding in Wessex by its joint venture partner, Waste Management International, which could rise to 23 per cent in 1995, raises questions about the US company's longer-term ambitions.

Both sides sought to play down the significance of the increased shareholding yesterday. Mr Nicholas Hood, chairman of Wessex Water, said: "They've never bought into a utility before, and the business they are interested in is Wessex Waste Management, not Wessex Water".

However, some analysts point out that Wessex Water derives more than 70 per cent of operating profits from sewerage rather than water supply, suggesting WMI's intentions may be wider than Mr Hood implied. "WMI like to have control, and eventually they will want to have control of Wessex," one observer said.

Despite these complications, yesterday's acquisition was well received. Wessex has a good reputation with the stock market, where the original 1991 deal establishing the joint venture was applauded.

Because Wessex is one of the smaller of the 10 privatised water services companies, it is better placed to build up a meaningful non-core business. If regulation of the water companies becomes tougher after the 1995 interim review, as many observers expect, earnings from non-core businesses should be secure and will maintain dividend growth.

Following the acquisition, WWM should generate annual turnover of more than £70m and profits before tax of at least £11m, before the benefits of cost savings, described as considerable, flow through.

By 1995, WWM's contribution to Wessex group profits could have doubled from 7 per cent to 15 per cent. This would be one of the highest non-core contributions to a water company.

Wessex and WMI, the international arm of Waste Management of the US, are both betting that environmental law changes which come into effect in April will benefit larger operators at the expense of "cowboys", and improve margins. Both companies said they made the acquisition on the basis of assumed earnings growth and "significant" additional contracted turnover.

WWM will also probably have the largest war chest in the waste sector, since Wessex's £88m available for investment will be matched by WMI. Assuming sellers can be persuaded to lower their asking prices, WWM could soon emerge as market leader, especially since the acquisition takes it into the important – although low margin – area of municipal waste.

As yesterday's purchase price suggested, acquisitions will not be cheap. Wessex said the £113m price tag, payable in cash on completion then in three annual instalments, was good value, even though the NFC division being acquired reported operating profits of only £4.4m in the year to October 2.

Wessex said the price was fair because of the amount of consented landfill and contracted turnover it is buying. However, its status as a lowly rated water stock meant some dilution was inevitable when building a highly rated waste division.

NatWest Securities yesterday revised its estimates for Wessex's profits in 1993-1994, when the latest acquisition will have its first meaningful effect, from £90m to £98m. However, on a fully diluted basis, earnings per share will fall from 68p to 58p.

Mr Peter Hyde, at Kleinwort Benson, said further dilution could not be ruled out. "Their strategy is to build a waste management business, and that is going to be expensive because of the rating they are on," he said.

Part of Wessex's aim is to narrow the gap between its rating and that of the waste sector. It believes shareholders will be rewarded as the proportion of earnings from waste increases, and the company's rating begins to reflect both its water and waste operations.

What may help the rating sooner, especially as the expiry of the government's special share grows closer in 1995, is speculation about WMI's intentions. Wessex could be the first water company to develop a bid premium.

Carlton chief gets 84% pay increase

By Raymond Snoddy

MR MICHAEL Green, chairman of Carlton Communications, the broadcasting and media services group, received a pay rise of 84 per cent last year taking his total remuneration to £520,000.

The rise came at a time when Mr John Major, the prime minister, has been urging senior executives to show restraint on pay.

Mr Green received a rise of £122,000 on his basic pay, taking it to £400,000. A further bonus of £120,000 was linked to a 16 per cent increase in Carlton's earnings per share under an incentive scheme.

The pay rise was made by a remuneration committee chaired by Lord Sharp, the former Cable and Wireless chief, and whose other members are Mr Nigel Wray, a non-executive director, and Mr Green himself.

Sir Derek Birkin, chairman of RTZ and a non-executive director of Carlton, will join the committee next month.

A review of Mr Green's salary, supported by outside consultants, concluded that "the chairman's salary failed to recognise the significant contribution that he makes to the company, the progress the company has made in the last year and the market level of remuneration of a person of his status within the company."

In the year to September 1992 turnover at Carlton increased by 17 per cent to £701.8m, pre-tax profits by 15 per cent to £102.3m and earnings per share by 16 per cent to 34.2p.

The average pay and bonus package for the chairman of a FT-SE 100 company is about £400,000 with total packages ranging from £148,000 to £6.2m.

Mr Nigel Walmsley, chief executive of Carlton Television, received a one-off bonus of £250,000 "for his services relating to the company's broadcasting interests." The sum almost certainly relates to Carlton's victory over Thames Television in the competitive tenders for new franchises and for preparing the company for going on air. The bonus took Mr Walmsley's salary for the year to more than £490,000.

Five directors were awarded options over 341,000 shares during the 1992 financial year.

US recovery boosts Domino

By Alan Cane

A STRONG recovery in the US helped Domino Printing Sciences, the Cambridgeshire-based European market leader in continuous ink-jet printing, to push profits before tax up 32 per cent in a slowing market.

Interest income totalling £1.81m also helped boost pre-tax profits to £11.94m against £9.03m last year.

Mr Howard Whitesmith, the managing director, said that if the interest stream – derived from cash accumulated through a rights issue in 1991 – were stripped out together with a first year operating loss of £492,000 on the company's new PackTrack operations, the growth of the core business was broadly equivalent to that of the previous year.

Sales grew 19 per cent, from £60.37m to £71.61m, while operating profits increased by 12 per cent from £9.07m to £10.13m.

Earnings per share were up 8.4 per cent at 30.02p (27.69p) and a final dividend of 4.8p makes a total of 7.2p, a 15 per cent advance on the 6.25p paid for 1991.

The share price closed at 506p, up 35p. Domino is one of a small group of principally UK-based companies which have benefited from worldwide legislation obliging manufacturers to stamp sell-by dates or lot numbers on foods, pharmaceuticals and beverages.

Mr Gerald Dennis, Domino chairman, said he was pleased by progress in the US. "Strengthened management and an expanded sales force have enabled us to increase our market share in a sluggish economy. In Europe, following a strong previous year, growth has moderated, reflecting the more serious economic circumstances."

The company has diversified from commercial ink-jet printers into the PackTrack mimeographic printing technology, and 17 of these printers were installed in the first year of operation.

So far, Mr Dennis said, no acquisition opportunities had presented themselves.

● COMMENT

Domino continues to dominate the UK and European market for commercial ink-jet printers although its young rival Linx is taking some sales. In Europe, the French competition Imaja is seeking a financially sound partner and is, at present, a reduced threat. Domino's recovery in the US where sales have risen from £12.5m last year to £17.6m is particularly encouraging and suggests the company could take further market share from its principal competitor Videojet. Analysts are suggesting £13.25m before tax giving 33p of earnings and a prospective p/e of 15.3. It looks a sound bet.

Apax sells Sterling stake

By Peggy Hollinger

THE VENTURE capitalist which backed a management buy-out 10 years ago at Sterling Publishing Group, owner of Debrett's Peerage, yesterday sold the final tranche of its original investment, resulting in an overall profit of £9.7m.

Apax Venture Capital Fund said it had sold its holding in Sterling following an approach from stockbroker, Granville Davies. The stake comprised 12.7 per cent of the ordinary, sold at 110p each, and 8 per cent of the convertible cumulative redeemable preference stock at 315p.

Proceeds of the disposal amounted to £6.26m. This is in addition to £4m received in previous sales and dividends.

Granville placed the shares with eight institutions, including Lazards and Legal & General.

Mr Ronald Cohen, chairman of Sterling and of Apax Partners, said the firm had initially invested £500,000 in the company in 1983. "It has been a tremendous investment for us," he said.

The Apax Fund was originally set up in 1981, with a 10-year life. It has thus had an obligation to dispose of the Sterling stake, its largest investment, for some time.

Shandwick slightly above expectations with £2m

By Gary Mead, Marketing Correspondent

SHANDWICK, the public relations agency, reported pre-tax profits of £2m, slightly better than anticipated, for the 12 months to October 31, against a loss of £1.4m for the previous 15 months.

Turnover was £157m (£198m) for operating profits of £11.9m (£14.4m) before exceptional costs of £3.85m, of which £3.1m related to refinancing and £750,000 to the employee share ownership plan. There was also an extraordinary charge of £4.5m covering the sale of three non-core businesses.

At October 31, net debt was £62.1m, in line with expectations. Last December Shandwick's bankers agreed to extend facilities of £69m until the end of January 1994.

Shandwick grew rapidly through acquisitions in the 1980s. Last year it made acquisition-related payments of £8.8m and estimated that further payments totalling £15.2m would be made over the next four years with £5.9m falling due this year.

Mr Peter Gummer, chairman and chief executive, said last year had been very difficult but some "encouraging signs in major markets served by the group give us increased confidence in the current year."

Operating margins of the US companies, where Shandwick generates 53 per cent of its business, were above 20 per cent.

Earnings per share were 0.7p (8.9p losses). No final dividend will be paid.

ML launches £14m rescue rights issue

By Peggy Hollinger

ML HOLDINGS, the loss-making defence and aerospace group which has been the focus of bid speculation for the past year, yesterday launched a rescue rights issue to bolster its balance sheet.

The company, which is 7 per cent held by the acquisitive TT Group, called for £14.3m by way of a 2-for-1 issue of 100.5m shares at 15p. ML closed steady last night at 18p.

Mr Howard Grant, the new chief executive, said that without the rights process ML would breach its financial covenants.

He denied ML had been forced down the rights issue route by banks. "We did not have a gun at our head," he said.

Yet the banks have made receipt of the rights proceeds conditional for renegotiated facilities. Previous financing arrangements were due to fall from £27m to £20m on April 1, but the banks have agreed to a three-year facility of up to £22m and an overdraft allowance of £3m.

Without the proceeds, debt would be "slightly higher" than the £27m reported last year. After the rights, gearing would fall from 114 per cent at the year-end to less than 50 per cent.

Mr Grant said 1992-93 was "a lost cause". Mr John Bryson, finance director, said trading conditions remained similar to the first half, when the group reported a £1.48m loss.

Mr Grant said ML expected a total of £8.4m in provisions and write-offs for the current year. The proceeds of the rights issue would reduce ML's debt to a "more appropriate level and allow investment in the group's businesses."

This would include about £4m of infill acquisitions and some equipment renewal. The effects of recent restructuring would not be felt until next year. Mr Grant expected ML to reap a £2m benefit from the 18 per cent cut in jobs.

Shaw to confront rebels

THE EMBATTLED board of Arthur Shaw, the loss-making West Midlands building materials group quoted on the USM, is due to set the date today for an extraordinary meeting to consider rebel shareholders' calls for the removal of Mr Gordon Pearson, the chairman.

The rebels, who claim the support of shareholders controlling 49 per cent of the equity, want to replace Mr Pearson with Mr Ian Tickler, his predecessor, whose family founded Shaw and which still controls a 13.4 per cent stake. They also want to reappoint Mr Donald Crammond who was ousted from the board last August.

Last week Mr Pearson, who controls a 15 per cent equity stake, obtained a temporary High Court injunction preventing two former directors from being re-appointed, or seeking re-appointment, to the board. This was lifted yesterday pending a full hearing of the case next week.

Refinancing would take Cranbrook private

By Paul Taylor

THE MERCHANT Navy Officers' Pension Fund will take control of Cranbrook Electronic Holdings, the USM-traded distributor of electronic components, under emergency refinancing proposals put forward by the board yesterday.

The proposals require shareholders, including several institutions, to write off their equity investments to a large degree. The share quote would also be cancelled.

Following the refinancing, which would include the injection of more than £1m of new equity capital, the pension fund will own 103.8m new shares, or 99.3 per cent of Cranbrook's new equity.

Existing shareholders, other than the pension fund, will end up with 716,524 new shares, representing the remaining 0.7 per cent equity stake in the new private company.

The package, subject to shareholders approval, was made necessary by Cranbrook's deteriorating financial position which was blamed on "extremely difficult trading conditions".

National Westminster Bank considered requesting the appointment of a receiver in December. However, that move was forestalled by the pension fund, which owns a 27.4 per cent stake, and all of the company's 9 per cent partly convertible loan stock agreeing to provide Cranbrook with a total of £150,000 in secured loans.

New issues show declining trend

By Richard Gourlay

NEW COMPANIES last year raised more money through flotations than in any year since 1987 but the number of new issues continued to decline, according to KPMG Corporate Finance.

The number of full listings fell from 81 to 64 and entrants to the USM were down from 10 to six. The total raised increased from £1.6bn to £2.3bn.

KPMG's figures exclude the effect of the Abbey National flotation in 1989 and government privatisations.

Mr Neil Austin, head of new issues at KPMG, said the larger average size was further evidence that the Stock Market was not serving the interests of smaller companies.

Almost all USM companies and 58 per cent of listed companies had market capitalisations of less than £30m and faced problems of liquidity in their shares.

While flotation remained an excellent route for some companies, smaller quoted companies and some non-quoted companies were increasingly short of access to new capital.

"There are well run, smaller companies which need access to equity if they are to grow," he said. "Often they are not yet big enough to generate the interest needed to have a liquid market in the shares after flotation." Development capital was not always an option.

Mr Austin called for institutional investors to consider setting up a secondary market which could be restricted to "sophisticated investors", who might be made insiders, and who did not need the same degree of protection that the general public required.

Hanson sees green shoots

By Maggie Urry

LORD HANSON, head of the Anglo-American conglomerate, told shareholders at the group's annual meeting yesterday that he was "heartened" by signs that the UK and US were moving out of recession. The base rate cut was "good news", he said.

Orders were improving, but he warned that margins were tighter than last year and that the recovery in profits would lag economic recovery because of the amount of stock in the pipeline. Hanson shares rose 6¼p to 243¼p.

Further details of the $500m (£329m) asset exchange between Hanson and Santa Fe Pacific, the railroads and minerals group, were also announced.

Hanson is swapping Gold Fields Mining Company (GFMC), which has two gold mines in Nevada and California, for Santa Fe's coal and aggregates businesses. These will be integrated into Hanson's Peabody, the world's second largest privately-owned coal producer, and Beazer subsidiaries respectively.

Hanson said there would be "no significant gain or loss as a result of this transaction". A straight exchange of assets is deemed by the US tax authorities to be tax neutral.

Originally Hanson and Santa Fe were talking about swapping GFMC for Santa Fe's coal mines, but it was agreed that Santa Fe should include its aggregates businesses as well to make an equal swap.

Hanson is exchanging assets with a tangible net worth of $150m, but with the goodwill attached to GFMC from the 1989 acquisition of Consolidated Gold Fields, the assets are reckoned to be worth about $500m.

GFMC's pre-tax profits in the year to September 30 1992 were $52m, but the declining gold price meant profits were expected to fall in the current year.

Santa Fe's coal and aggregates businasses are in tha books at $131m, but are also deemed to be worth abont $500m. Pre-tax profits in 1991 were $53m.

See Observer

Trevor Humphries

Lord Hanson: profit recovery will lag economic recovery

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FT-SE may reach 7,000 by end of decade says BZW

By Philip Coggan, Personal Finance Editor

THE FT-SE 100 index could reach the 7,000 level by the end of the decade, said Mr Michael Hughes, managing director of BZW Economics & Strategy, yesterday.

At the launch of the BZW Equity-Gilt Study, Mr Hughes said he expected equities to continue to outperform gilts and cash over the next few years. However, the gap between returns would narrow.

BZW's long-term data shows gross real returns from equities of 7.3 per cent per annum, from gilts of 1.16 per cent per annum and from treasury bills of 1.04 per cent per annum. Over the next few years, BZW is looking towards real returns of about 6.5 per cent on equities and 3.5 per cent on gilts. This narrowing of the gap will be caused, says BZW, by lower real dividend growth and by lower rates of inflation than occurred in the 1970s and 1980s.

The research shows that 6 per cent is a pivotal figure for inflation. When inflation is below that level equity prices outperform house prices; above that level the reverse is the case.

The BZW study is of little comfort for a government trying to fund a large budget deficit through gilt sales. The firm constructed a series of optimal portfolios for investors, from those who wished for minimum risk to those seeking the maximum return.

At the cautious end, almost all the portfolio should be in cash, with just 2.4 per cent in gilts.

At the high-risk return, 100 per cent should be in equities. Gilts did not figure in any of the medium-risk portfolios.

Reduced interest charge lifts Dale 9%

By Peggy Hollinger

LOWER interest charges helped Dale Electric International, the power and lighting group, lift interim pre-tax profits by 9 per cent to £544,000.

Mr Iain Dale, chairman, said the Yorkshire-based company had made progress on reducing debt during the first half.

Gearing had fallen from 110 per cent at the year-end to 100 per cent, and was expected to fall substantially following the sale of four overseas businesses due for completion in April.

The sale of five businesses in Nigeria and France were part of Dale's effort to refocus on power generation.

Interest charges benefited from the steady decline in UK base rates, falling from £962,000 to £918,000.

Operating profits for the six months to November 1 were static at £1.46m on sales 29 per cent ahead at £30.9m.

That was partly because of the inflated value of sterling before September. Dale's export prices had been on average about 20 per cent higher than the previous year, said Mr Dale.

That resulted in a sharp decline in the group's order book at the half-way stage from £31m to £22m.

"We are only now starting to rebuild the order book again," Mr Dale said. However, he added:

"With the hole created by the over-valued pound in the first half, we will be short of some business in the second half."

Next year would be more encouraging, Mr Dale said. After an "awful first half" the aerospace ground power division was beginning to show signs of life.

Mr Dale said the restructuring begun in October had resulted in the loss of 12 per cent of the 680-strong workforce.

The interim dividend is being maintained at 2p - last year's total was 5.1p - while earnings improved from 2.79p to 3.02p.

Workers from the New World uptight

Tate & Lyle faces a stormy AGM because of a dispute in the US, writes Nikki Tait

COULD Britain's Tate & Lyle, which acquired AE Staley, the Illinois-based corn syrup producer, for $1.48bn five years ago, face a stormy annual meeting today in London? Some of its US workers are threatening just that.

They are representatives of Local (branch) 837 of the Allied Industrial Workers, which counts 800 Staley employees – mainly process-workers, technicians and mechanical operatives – at the Decatur plant among its members. Last September, the union's three-year employment agreement with the company expired, and management's proposed new contract is encountering stiff opposition.

The fight is not, in itself, about money. The company is offering about 10 per cent, spread over three years, for the average employee, which squares with labour demands.

What has distressed the union are Staley's demands for changes in working practices – including the subcontracting of some work, a restructuring of holiday rights, insurance concessions, "flexibility" on assigning shifts, erosion of union seniority rights, and changes to the grievance procedure. Management's response is that these concessions are needed to keep the plant competitive.

As with so many labour disputes, the contract battle seems to have exhumed other festering concerns. Union officials, for example, claim that Staley has fared increasingly badly in terms of safety standards and environmental issues since Tate took over.

They point to one employee – a 44-year-old maintainence worker called James Beals – who died after being overcome by toxic fumes while repairing a processing tank, and to a $1.6m fine levied by the federal Occupational Safety & Health Administration against Staley in 1991. Staley replies that it has spent $10m on safety matters alone since 1990.

Another bone of contention is a pipeline, built recently, between the Staley corn mills and those of Archer-Daniels-Midland, the big neighbouring agribusiness which holds a 8 per cent stake in Tate.

The pipeline has never been used, but employees believe that starch slurry could be shipped through this, making it easier for Staley to operate if it faced a strike or lock-out. (Staley/Tate says the pipeline is designed for the shipping of surplus slurry between the two companies and was not built with an eye to a labour dispute.)

The present state of play is stalemate. Management and union last met in the late-autumn, and nothing further is planned. Staley has unilaterally imposed some aspects of its proposed contract, although these would be adjusted for any final contract. "Collective bargaining never began – it was always dictatorial," says Dave Watts, president of the local, who is leading a delegation to today's AGM in London.

But what makes the Staley dispute noteworthy is the strategy being adopted by the union side – typifying the way the wind is blowing in the organised labour movement at present.

It is important to realise that Decatur, in terms of US geography, is a near-neighbour of Peoria. Here, a bruising five-and-half-month strike at Caterpillar, the earth-moving equipment company, collapsed last year when management threatened to replace the strikers. With workers' resolve apparently waning in face of this pressure, the powerful United Auto Workers union called off the strike, and the company was able to impose its desired terms.

The tactics adopted by the union side make the Staley dispute noteworthy. After consulting with various labour academics, the workers have called in Ray Rogers, a New York-based labour activist, to advise them on the conduct of their fight.

The Staley local, painfully aware of the Caterpillar strikers' humiliation, made a conscious decision to tread more delicately. Realising that it is neither large nor wealthy, it eschewed the strike weapon and, after consulting with various labour academics, has called in Ray Rogers, a New York-based labour activist, to advise.

Mr Rogers, who operates out of paper-strewn offices in Greenwich Village, has a reputation for applying hard-line, but less conventional, pressures. These may range from an attack on a corporation's financial links – thus dragging banks and insurance companies into a dispute – to spotlighting its environmental practices.

Mr Rogers counts labour campaigns at JP Stevens, the textile company, American Airlines and International Paper among his trophies. He is also currently working for the Newspaper Guild in its battle with Mort Zuckerman, new investor of the New York Daily News.

His approach at Staley has been true to form. Local mail shots, for example, have urged a public boycott of First of America Bank Corporation, a sizeable Midwest bank, which has cross-directorships with both Staley and Caterpillar.

This prompted Mr Robert Powers, Staley's chairman and a Tate director, to resign from the bank's board earlier this month. Mr Rogers says he has only begun. "We will continue to go after First of America, but there will be another target – a major financial target – a bank or insurance company – of our own."

Other leaflets and publicity materials have made much of the safety issues, including Mr Beals' death, and a second line of attack is threatened, namely consumer pressure. Here, the likely target would appear to be Tate's Domino Sugar, which is a household name and is stocked on the shelves of any US supermarket.

This business has labour problems of its own. Its New York City plant, a prominent feature on the Brooklyn waterfront, has faced a 15-week-old strike by the Longshoremen's union. Again, the dispute is principally over work-rule concessions, and workers continue to strike after voting last weekend against revised proposals. Tate, meanwhile, has been shipping sugar into the north-east from Maryland and Louisiana instead.

And there are clearly attempts to step up the attack outside the US, both through British unions, and, perhaps, investors in Tate. Mr Rogers claims that a trawl is being done of pension fund shareholders with ethical investment guidelines who might be susceptible to pressure.

Meanwhile, the Tate annual meeting looms large on the calendar. Mr Rogers says that eight union members have shares and would be entitled to attend. "We'll take the fight wherever necessary," adds Dave Watts.

Whether any of this rattles Tate's cage, an ocean away from Decatur, is another matter. But with its members still getting paid, local 873 thinks it has a better chance than it would on the picket-lines, in the post-Caterpillar world.

Charterhouse to launch smaller companies trust

CHARTERHOUSE Tilney, the stockbroker, is attempting to launch a new investment trust which will specialise in smaller companies, writes Philip Coggan.

The trust will concentrate on the smallest quoted stocks, the 1,000 or so with market capitalisations of less than £30m. Smaller company shares are widely expected to enjoy a revival after four successive years of underperforming larger stocks.

Issue details have not been settled but the trust will have a fixed life and warrants in an attempt to limit the perennial problem of investment trust new issues – that the shares fall to a discount to net asset value.

The launch is expected to take the form of an offer for subscription in February.

The chairman of the trust will be Sir Peter Michael, who also chairs Cray Electronic Holdings. The fund manager is expected to be Rutherford Asset Management.

Stainless steel newcomer enters UK market

By Andrew Baxter

AVESTA SHEFFIELD, the Stockholm-based company formed in November from the merger of Sweden's Avesta and the stainless steel interests of British Steel, unveiled its new UK distribution company in Birmingham yesterday.

The launch of Avesta Sheffield Distribution was described by Mr Cliff Shore, its managing director, as the most important event in the UK stainless industry for decades.

The company will have about 35 per cent of the UK stainless steel distribution market, and be responsible for distributing stainless steel both from former British Steel plants in the UK and Avesta plants in Sweden.

The launch comes as European producers of both carbon and stainless steel are implementing price increases. Along with carbon steel prices, stainless prices in Europe have fallen by 30 per cent over the past two years.

Mr Shore said the company was raising prices for cold-rolled stainless by 10 per cent, spread through the first quarter of the year, and a similar amount on hot-rolled. There would be a knock-on effect for tubular prices.

Mr Shore said he viewed the price increases with optimism. In contrast to the carbon steel market, stainless steel sales had risen in volume terms – annual volume growth in Europe was about 4 per cent and could reach 5 per cent in the UK which has Europe's lowest per capita consumption of stainless.

Yesterday's launch was aimed at informing some 200 customers about the distribution company's business objectives and, said Mr Shore, to show them who they would be talking to. Employment at the distribution company has been reduced from about 600 at British Steel and Avesta before the merger to 400 and distribution reorganised and centralised.

Avesta Sheffield Distribution will have annual turnover of £120m, but total UK turnover for Avesta Sheffield itself will be £240m, including mill sales direct to customers and to independent distributors.

Ecclesiastical determines value for St Andrew

ECCLESIASTICAL Insurance Office has determined the value of its offer for St Andrew Trust, the investment trust specialising in smaller companies, writes Philip Coggan.

The offer was based on 93 per cent of St Andrew's formula asset value. As of January 22, this was 253.75p per share; accordingly the offer should be worth 235.99p.

However, EIO has paid 237.65p for shares in the market and has extended this offer [in cash] to all shareholders. The revised offer will be open until February 8.

EIO has obtained over 50 per cent of St Andrew and does not wish to obtain more than 75 per cent. Accordingly the insurance group is not seeking further acceptances.

Murray Smaller Trust raises net asset value

By Matthew Curtin

MURRAY Smaller Markets Trust, the Glasgow-based investment trust specialising in the world's less accessible stock markets, improved net asset value per share by 11.6 per cent to 302.7p, against 271.2p over the year to November 30.

Net revenue for the six month period fell to £1.29m (£1.34m) for earnings of 2.29p (2.39p). The interim dividend is raised from 1.25p to 1.35p.

Mr David Briggs, a director of Murray Johnstone, the trust's management arm, said many markets in which the trust was invested fell sharply in local terms in the period. The exception was Malaysia which increased by 17 per cent.

In contrast, the FT-A world index rose nearly 17 per cent because of the strong performance in sterling terms of the US and Japanese markets, to which the trust was minimally exposed.

The trust had taken profits in Malaysia, but was "comfortable" with its heavy Far East weighting. Since November there had been recoveries on the Honk Kong, Mexican, and Argentinian markets.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cantors	int	1	Apr 8	1	-	4
Dale Electric	int	2	Apr 8	2	-	5.1
Domino Printing	int	4.8	Apr 8	4.15	7.2	6.25
Reject Shop §	int	0.5	Apr 8	1.05	-	3.15
Shandwick	fin	nil	-	1.18	nil	2.36

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Powell Duffryn in Irish fuel merger and US disposal

John Kelly, Powell Duffryn's wholly-owned Belfast-based coal and oil distribution subsidiary, has been merged with Lanes Group, the Northern Ireland fuel distributor which is owned by Tedcastle McCormick.

Powell received £5m cash for the equalisation of the net asset values of the two businesses and repayment of inter-company debt.

It owns 50 per cent of the enlarged activity.

In the year to March 31 1992 Kelly made trading profits of £2m and had net assets with a book value of £4m net of inter-company debt.

The impact of the transaction is neutral to Powell Duffryn in balance sheet terms.

Powell has also disposed of its 50 per cent interest in Aquapore Moisture Systems, an irrigation hose manufacturer in Phoenix, Arizona, for a cash consideration of $6m (£3.9m).

NEWS DIGEST

Lister loss rises after exceptional

LISTER & CO, which manufactures a wide range of textile products, incurred losses in the six months ended September 26. The deeper pre-tax deficit of £1.62m, against £1.39m, included an exceptional debit of £747,000. Turnover for the period was up from £13.81m to £16.45m.

The exceptional charge consisted of redundancy costs and stock write-downs incurred in a restructuring plan.

Mr Brian Smith, chairman, said despite continued recessionary trends in the UK and export markets, sales in the yarn and woollen fabric businesses had improved, although margins remained very competitive.

Losses per share deepened to 9.97p (8.52p).

Cantors declines to £175,000

A fall in pre-tax profits, from £206,000 to £175,000, was announced by Cantors, the furniture, carpets and bedding retailer, for the half year to October 24.

Mr Harold Cantor, the chairman, said difficult trading conditions had shown through in the results. However, the company was now in its winter sale period and trading to date, he said, although still depressed, had been in line with expectations.

Turnover amounted to £28.7m (£30.2m). Earnings per share declined from 0.98p to 0.76p but the interim dividend is maintained at 1p.

John D Wood cuts deficit to £77,000

John D Wood, the USM-quoted estate agent, reported a reduced pre-tax deficit of £77,000 for the six months to end-October.

That compared with a loss of £194,000 and was incurred on turnover down by 7 per cent from £2.56m to £2.37m. Losses per share came out at 0.9p (1.9p).

Mr George Pope and Mr Ian Homersham, joint chairmen, said that at the time of their statement in August they had enjoyed three profit-making months. However, there had been losses since then.

Losses reach £0.88m at Reject Shop

Losses at the Reject Shop, the USM-quoted houseware retailer, rose from £587,000 to £884,000 pre-tax for the 28 weeks to September 27. Turnover expanded from £8.9m to £9.13m.

The directors said the figure was better than they had budgeted for. However they were cutting the interim dividend from 1.05p to 0.5p. Losses per share widened to 6.01p (3.97p).

The second half traditionally compensated for a weaker first half. However, sales during September, October and November were "very disappointing" and although the crucial Christmas period was "considerably better", sales were "below expectations".

Heritage back in the black

Heritage, the USM-quoted housewares importer and distributor, returned profits of £53,000 pre-tax for the six months to October 31, the company's first profitable period since 1989.

The profit, which compared with losses of £96,000, was scored from a turnover of £6.17m (£5.36m). Interest charges were cut to £202,000 (£246,000).

Earnings per share emerged at 0.98p (losses 1.78p).

Marks and Spencer moves into Austria

Marks and Spencer is to enter the Austrian market by opening two franchised stores in Vienna in the next two months. The stores will sell lingerie, toiletries and cosmetics.

The stores will be operated by Thomas Feldmann Handelsgesellschaft, a new venture formed by a member of the family which owns Albert Matzner, a leading Austrian women's wear retailer.

Berisford to get £6m for Hunter Saphir

Berisford International, the commodities and property group in the process of selling most of its businesses to repay debt, will receive £6.1m if Albert Fisher's £29m agreed bid for Hunter Saphir, the fresh produce group, goes through.

When the cash from this sale, and others agreed but not yet completed, comes in, Berisford will have no net debt. At its peak, Berisford's debts totalled £1.3bn. The group is now looking for acquisitions.

The Hunter Saphir bid gives Berisford a £2.1m profit on the carrying value of its stake in Hunter Saphir. Berisford holds 4.9m Huntar Saphir shares, which had been written down to nil, and 4m £1 preference shares. Berisford took the stake in 1987 when it sold some food businesses to Hunter Saphir.

Pilkington contact lens plant approved

The US Food and Drug Administration has given approval to Pilkington's contact lens solution plant in Phoenix, Arizona and for one of the product lines. Approval for the other lines is expected to follow.

Pilkington, the glass group, had been awaiting approval for some time and will now be able to sell solutions. This will be a step in its plans to revitalise the ailing US contact lens business.

COMMODITIES AND AGRICULTURE

Coffee prices tumble further on New York fund selling

By David Blackwell

LONDON COFFEE prices tumbled further yesterday following the dramatic fall in the New York market overnight as commodity funds liquidated their positions.

But there were signs of an end to the decline, which has dismayed delegates from producer countries in London this week for talks on renewing an international coffee agreement.

The London March robusta contract opened nearly $50 a tonne down, before recovering to close at $840 a tonne, down $15. The nearby New York arabica contract fell by 6.75 cents to 56.05 cents on Monday, with 22,000 lots traded. Yesterday it touched a low of 54.10 cents in early trading, but began to recover in the afternoon.

Last August the New York market fell below 50 cents, but then began an advance which culminated in a closing peak of 81.55 cents on December 21, when London reached $1,081 a tonne.

"This market is not trading on fundamentals, but is being moved by the weight of money wielded by the funds," said Mr Lawrence Eagles, analyst with GNI, the London futures broker yesterday. "I think we have seen the bottom today – but with volatility like this it would be a brave man who takes a position."

The volatility of the market was such that the London Clearing House took the unusual step of making a margin call during trading hours. This requires market players to cover any paper losses showing on their positions.

"The market has taken such a battering that it's very jumpy," said one London trader. But he pointed out that while the London market was down, it had closed at the day's high. "This indicates that the liquidation is coming to an end."

The fund liquidation in New York fed on itself, sparking chart-based selling and forcing players out of the market. In such conditions, progress or lack of it at the International Coffee Organisation talks over the next fortnight becomes a side issue.

ICO delegates have got off to a slow start, according to the Reuter news agency. The ICO has until the end of March to reach a new agreement.

Catch-all forestry rules urged

By Bronwen Maddox, Environment Correspondent

DEVELOPING COUNTRIES will call for timber trade rules to be extended to non-tropical countries at today's meeting in Quito, Ecuador to negotiate a new timber treaty.

The 1985 International Tropical Timber Agreement expires in 1994, and its 50 signatories, which include countries with more than 90 per cent of the world's remaining tropical rainforests as well as most of the non-tropical forests, have been divided about the form of a new treaty.

The Malaysian and Indonesian governments have indicated that they will press for new rules, which will cover how fast forests can be cut down, to apply to all forests. Developing countries have also called for the new treaty to cover pricing of timber. At the previous meeting in Japan in November, developed countries including the US, Canada and the European Community were highly reluctant to adopt the new proposals.

The UK government's position in the negotiations is that to widen the treaty would be to lose its focus on preserving rainforests. Mr Michael James of the UK Timber Trade Federation, which advises the UK government on the discussions, said yesterday: "The agreement would change character considerably if extended and there could be administrative problems – the organisation is already overstretched".

London traders sceptical about US merger

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange might have to change its strategy for the US market if the proposed merger of the Chicago Board of Trade and New York's Commodity Exchange is consummated, said Mr David King, the LME's chief executive, yesterday.

"It would be a very strong partnership because the CBoT already is the most powerful and largest futures exchange. If the merger goes through the goal posts will have been moved in the US and the LME would have to work harder to increase its penetration of the market there."

However, Mr King, like some LME traders, pointed out that Comex previously had merger talks with the New York Metal Exchange, which came to nothing. "There have been so many false alarms in the past that I will believe it only when they finally sign the merger documents," said one trader.

The LME believes it can look forward to substantial growth in the US because that country accounts for about 25 per cent of the world's non-ferrous base metals activity but only 15 per cent of LME business. "So, in the absence of other factors, there is obvious scope for business growth," Mr King pointed out.

At present the only competition the LME faces in the US is from the Comex copper contract and, when the first LME-authorised warehouses in the States started operating a year ago, copper was excluded so as not to challenge this contract. Comex's is a dollar contract whereas copper is traded in sterling in the LME "ring" and the situation occasionally presents arbitrage opportunities to LME traders.

However, recent turbulence in the currency markets caused a change of heart among London-based traders so the LME copper contract will next July switch to dollars. This move increased pressure from some members for the LME to establish copper warehouses in the US, which they see as an important step towards winning more North American copper hedging business away from Comex.

Mr King was scheduled to outline the LME's reconsidered policy about US copper warehouses when world industry representatives gather at American Metal Market's "copper week" in New York in mid-February. He may have to rewrite his script.

Banana exporters 'devastated'

By David Dodwell, World Trade Editor

LATIN AMERICAN banana exporters will be "devastated" by the decision in December by the European Community to set tariffs on banana imports from the region, a meeting of the Union of Banana Exporting Countries has concluded.

The union claims 174,000 workers will lose their jobs as a result of the EC decision, which fixed a 2m tonne quota for Latin American exporters at a reduced duty of Ecu100 (£80) a tonne, and a hefty Ecu850 tariff – about 170 per cent – on exports above that level.

A study presented by the union says the new EC banana regime, forged to protect traditional Caribbean exporters to the EC and at the same time to move towards a tariff-based system of regulating imports, will pull 33,600 hectares (83,000 acres) out of banana production, 12 per cent of the total area planted, in its seven member countries – Colombia, Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Venezuela.

Mr Enrique Betancourt, executive director of the union, says export volumes will fall by 30 per cent from the 1992 level of 2.6m tonnes.

He makes no mention, however, of the fact that banana exports to the EC from Latin America surged rapidly between 1989 and 1992 as exporters positioned themselves for expected liberalisation of the EC banana market on creation of the single market on January 1 1993. Exports surged by 20 per cent over that period, according to the Food and Agriculture Organisation.

Argentine company denies threat to Falklands squid

By John Barham in Buenos Aires

ARGENTINA'S LEADING commercial fishing company says the illex squid – lifeblood of the Falkland Islands economy – is under no threat from overfishing. "The illex is underexploited, not overexploited," according to Mr Mario Olaciregui, president of the Harengus fishing group.

Although he lacks scientific data to support his claim, Mr Olaciregui says the first of his six squid boats began fishing on Thursday, just as the season opened, and found the vessel was quickly overloaded.

"There is enough illex for everyone," he insists. "This is based on empirical observation." Harengus has fished for squid for years, catching 12,000 to 15,000 tonnes a year. It has found that squid availability varies very little.

Mr Olaciregui adds that the illex market is limited to Japan, South Korea, Spain and Italy, so demand is reasonably stable.

In December, Argentina announced that it would offer licences for foreign ships to fish for illex squid in its waters – in direct competition with the Falkland Islands, which in 1987 set up a highly lucrative licensing regime.

The islanders say the illex is a delicate resource, which if overfished could be eliminated. Mr John Barton, Falklands director of fisheries, said yesterday: "Fishing pressure is already very high and we firmly believe that a moderate increase in fishing effort will lead to a collapse of the stock."

Last year, the Falklands reported licence revenues of £25m, some 80 per cent of which came from illex licences. Mr Barton says that Argentina's offer of cheaper licences has lured away most of the islands' Asian clients, undermining its revenues.

WEEKLY MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,670-1,710 (1,670-1,710).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.50 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.00-15.60 (15.20-15.90).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-135 (120-140).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 1.85-1.95 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 40-50 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.70-1.80 (1.75-1.85).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.85 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-375	to 1,616,900
Copper	+1,450	to 316,300
Lead	+1,000	to 232,525
Nickel	+878	to 78,072
Zinc	+2,600	to 314,325
Tin	unchgd	to 15,875

Consolidating for the futures

Laurie Morse on the merging two big US commodities exchanges

US FUTURES exchanges have been tilting at a variety of windmills in the 1990s, fussing like mature matrons as more agile upstarts steal away their global dominance. Electronic trading, competition from over-the-counter derivatives markets and blossoming overseas exchanges have all been blamed for the fading lustre of New York and Chicago markets. But the big US exchanges have also been concerned about the monster within – increasingly bureaucratic and expensive structures and fundamental changes in how futures are traded.

The Chicago Board of Trade's plan, announced on Monday, to acquire New York's big metals market, the Commodity Exchange (Comex), is a bold step to fight those internal monsters and, if futures pundits are correct, it may be the first of many such mergers.

"I believe unambiguously that this industry will consolidate, just like we've seen in the airline business, the communications industry," said Mr Richard Sandor, CBoT board member and managing director of Kidder, Peabody. It was too costly, he said, for 11 US futures exchanges to operate independently.

In Europe, where the trend toward national exchanges is growing, there is also some consolidation. Germany's Deutsche Terminborse and France's Matif announced two weeks ago that they would join forces, recognising cost savings and substantial increase in competitive clout.

Member approval of the CBoT's Comex takeover, particularly on the Comex side, is far from certain. The exchange's leadership will have to convince independent floor traders that the financial advantages of the partnership will compensate Comex members for their loss of voting representation on the exchange.

Regulatory approval of the merger may come more easily. Mr William Albrecht, acting chairman of the Commodity Futures Trading Commission, the US futures industry watchdog, said his staff would examine the proposal when it arrived in Washington. "Personally," he said, "I am quite receptive to actions which simplify and standardise clearing functions. Such actions contribute to more efficiency in the markets."

The CBoT will pay nothing for the Comex, and a fund set up to buy out Comex membership after the merger will be financed by the New York exchange's current and future income. Executives at both exchanges said they were confident that the affiliation would boost volume and profits at Comex.

The exchange, which is free of debt, has assets of $18m and cash on hand of $12m. However, its life-blood – volume – has slipped substantially, and without a marketing and research transfusion, could face extended volume and seat value erosion.

Comex's main products, silver and gold futures, have been battered both by the recession and the absence of inflation. With only one financial contract – the newly launched Eurotop 100 stock index future – it also suffers the general malaise of US commodity exchanges. While commodity trading has always been cyclical, the shift in futures business to managed funds has consolidated trade and cut down on the profits available to *locals* (dealers operating on their own account). As pickings in agricultural pits get slimmer, more and more traders cross over to more profitable opportunities in financial markets, further starving the commodities arena of capital.

The New York exchange's futures volume dropped to 10.7m contracts last year from 12.6m in 1991. At the same time the London Metal Exchange has thrived, building turnover to 24.7m contracts last year from 17m in 1991.

The CBoT, while remaining the world's largest futures exchange, has not been immune to the trend toward slumping commodities volume. Its turnover last year was up 7.6 per cent to 150m contracts but its agricultural futures volume stalled. Attempts at offering new non-financial products have also lagged. Despite thriving Treasury markets, CBoT membership values and member profitability have also been on a decline. A study of member profitability, commissioned by Mr Thomas Donovan, the exchange's president, recently confirmed that member incomes were down. Particularly big losers were the independent soybean futures traders, whose profits were off 40 per cent last year when measured in 1982 dollars.

Chicago exchanges, sensing the trend, have spent the last year working at cost-cutting consolidations. New York Exchanges, engaged in long-running squabbles, have been unable to follow. When asked on Monday why Comex did not affiliate with a New York partner, Ms Donna Redel, the exchange's chairman, said none had offered. Comex had agreed to consolidate trade clearing operations with the Coffee, Sugar and Cocoa Exchange, but Ms Redel said that agreement had not been acted upon and would be voided if the new partnership with the CBoT was approved.

In an interview, Ms Redel urged other New York exchanges to follow Comex's lead and join with Chicago. No such discussions are in process, but CBoT officials said they would welcome other partners.

Mr Patrick Arbor, the CBoT chairman, said his exchange would continue to support Comex's part in a consortium of New York exchanges that plan to build a new headquarters complex and trading floor in Manhattan.

In effect, the Chicago/New York merger will draw Comex into the joint efforts of the big Chicago exchanges. Mr Arbor said the CBoT intended to list Comex contracts on Globex, the after-hours electronic trading system jointly owned by the CBoT, the Chicago Mercantile Exchange, and Reuters Holdings. Mr Leo Melamed, chairman of Globex Corporation, applauded the proposed merger.

The CBoT and the CME are slowly working toward joint clearing operations, and have merged overseas marketing functions. Comex will benefit from these joint efforts as well.

The CME has been relatively low-key about the merger announcement, declining to issue formal comment. Informally officials are taking a wait-and-see attitude. The CME's volume was up 24 per cent this year, and seat prices are at all-time highs. Its commodity volume comprises only 5 per cent of overall turnover. With such strong results, CME executives feel they are on a better footing than the CBoT.

The CBoT is still attempting to weave another, much larger alliance with the London International Financial Futures Exchange. Negotiations appear to have stalled, however, and CBoT officials did not mention that proposed partnership Monday, when announcing the Comex merger plan.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD held early gains on the London bullion market and pushed above initial resistance at $331 a troy ounce in late trade, but was expected to find $332 a much tougher barrier. Dealers said the market had rallied on stop-loss buying by weak shorts and some covering ahead of today's European options expiry. The dollar's soft tone and a report that China's central bank had bought a large portion of the huge Dutch gold sales in 1992 were also supportive. Chinese buying lifted the **COPPER** market out of its recent neutral range on the LME. The trend was aided by option buying and talk that there was likely to be a strike at Enami's Ventanas smelter after today's strike vote. The rise took three-month metal above resistance around $2,250 a tonne, with final business at $2,258, up $30. The London **COCOA** market was depressed partly by chart-based selling in New York, although the weakness of sterling and signs of industry demand helped to limit losses.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Mar)		+ or -
Dubai	$15.60-5.70	+.125
Brent Blend (dated)	$17.80-7.85	+9.25
Brent Blend (Mar)	$17.95-8.05	+.125
W.T.I (1 pm est)	$19.65-9.70	+9.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-168	+1
Gas Oil	$173-174	+2
Heavy Fuel Oil	$72-73	
Naphtha	$176-177	+1.3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$331.05	+2.3
Silver (per troy oz)♣	371.5c	+2
Platinum (per troy oz)	$364.25	+3
Palladium (per troy oz)	$111.00	+2.5
Copper (US Producer)	103.0c	-3.5
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.96r	-0.02
Tin (New York)	273.5c	-1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.32p	+0.76*
Sheep (live weight)†♠	92.33p	+6.60*
Pigs (live weight)†	80.38p	+2.34*
London daily sugar (raw)	$213.8	+0.9
London daily sugar (white)	$262.9	+2.4
Tate and Lyle export price	£247.6	+0.5
Barley (English feed)	£135.50u	
Maize (US No. 3 yellow)	£161.73	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	64.50p	-0.5
Rubber (Apr)♥	65.00p	-0.25
Rubber (KL RSS No 1 Feb)	239.0m	
Coconut oil (Philippines)§	$427.5y	-5
Palm Oil (Malaysian)§	$410.0w	
Copra (Philippines)§	$270.0	-7.5
Soyabeans (US)	£173.0	-1
Cotton "A" index	58.95c	-0.05
Wooltops (64s Super)	390p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr u-Feb.x-Aug. e-Feb/Mar z-Jan/Mar. ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg ♠Sheep prices are now live weight prices * change from a week ago. provisional prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	192.00	192.00	188.40
White	**Close**	**Previous**	**High/Low**
Mar	257.00	255.00	256.60 254.50
May	258.00	257.00	258.60 255.50
Aug	262.80	260.80	261.70 259.20
Oct	248.00	246.50	246.50 244.00

Turnover: Raw 3 (2) lots of 60 tonnes. White 1606 (1678) Paris- White (FFr per tonne): Mar 1401.67 May 1418.26

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	18.06	18.07	18.17 17.88
Apr	18.15	18.16	18.25 18.00
May	18.25	18.26	18.32 18.12
Jun	18.33	18.33	18.42 18.23
Jul	18.36	18.46	18.42 18.29
Aug	18.40	18.50	18.45 18.39
Sep	18.45	18.47	18.50 18.45
IPE Index	17.76	17.39	

Turnover 27282 (44640)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Feb	168.50	167.25	169.50 168.00
Mar	168.50	167.00	169.75 168.00
Apr	167.75	166.25	169.00 167.25
May	167.50	166.00	168.50 167.25
Jun	167.50	166.25	168.75 167.00
Jul	169.75	168.25	169.75 169.00
Aug	171.50	170.25	171.50
Oct	175.75	174.50	173.50

Turnover 11567 (15887) lots of 100 tonnes

JUTE

C and F Dundee BTC US$360, BWC US$380, BTD US$325, BWD US$340, C and F Antwerp BTC US$340, BWC US$340, BTD US$315, BWD US$315.

COTTON

LIVERPOOL- Spot and shipment sales amounted to 38 tonnes for the week ended 22 January, compared with 56 tonnes in the previous week. Restricted operations involved few fresh dealings. Only occasional interest displayed in Russian styles

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	702	717	711 701
May	711	723	718 707
Jul	719	733	730 719
Sep	729	744	740 729
Dec	750	761	757 749
Mar	771	782	777 771
May	785	795	790 789

Turnover: 5841 (6032) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 25 762.05 (775.99) 10 day average for Jan 22 767.42 (765.67)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	849	872	828 809
Mar	840	855	840 861
May	843	862	850 811
Jul	857	853	839 804
Sep	843	861	828 816
Nov	853	877	854 828

Turnover:10031 (3668) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 25: Comp. daily 53.30 (55.93) 15 day average 58.99 (58.63)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	56.5	58.0	58.5 55.5
May	65.0	68.0	66.9 64.2

Turnover 235 (30) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	153.50	151.50	153.50
Apr	131.50		151.50

Turnover 26 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Mar	1290	1300	1290 1290
Apr	1290	1290	1290 1286
BFI	1274	1272	1274

Turnover 34 (82)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Mar	137.10	137.00	137.25 137.10
May	139.00	139.00	139.00 139.00
Sep	109.70	109.50	109.70 109.65
Nov	111.90	111.50	111.90
Barley	**Close**	**Previous**	**High/Low**
Mar	133.75	133.30	133.75

Turnover: Wheat 29 (68), Barley 115 (93). Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	102.6	101.5	102.5 102.9
Aug	102.3	101.5	102.9

Turnover:9 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 25,577 lots
Cash	1181.5-82.3	1190-91		1187.5-88		
3 months	1213.5-14	1212-13	1217/1209	1209.5-10	1216-16.5	164,170 lots
Copper, Grade A (£ per tonne)						Total daily turnover 61,002 lots
Cash	1460.5-61.5	1422-23	1453.5/1436.5	1453-53.5		
3 months	1478-79	1442-43	1479/1468	1471.5-72	1476-77	154,700 lots
Lead (£ per tonne)						Total daily turnover 3,271 lots
Cash	277-77.5	273.5-74.5	275.5	275.5-5.75		
3 months	287.25-7.50	284-84.5	287.5/286	285-5.25	286.5-87.5	16,460 lots
Nickel ($ per tonne)						Total daily turnover 6,048 lots
Cash	5790-800	5730-40		5800-01		
3 months	5860-70	5800-10	5890/5820	5865-70	5890-900	43,479 lots
Tin ($ per tonne)						Total daily turnover 1,583 lots
Cash	5920-30	5875-85		5885-90		
3 months	5960-90	5940-50	5995/5945	5940-45	5980-90	8,509 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,910 lots
Cash	1065.5-66.3	1052.5-53.6	1056.5	1056.5-57		
3 months	1075-76	1072-73	1076/1073	1075.5-76	1073.5-74	66,316 lots

LME Closing £/$ rate: SPOT: 1.5381 3 months: 1.5236 6 months: 1.5136 9 months: 1.5056

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	330.90-331.20	
Opening	328.80-329.20	
Morning fix	329.19	214.467
Afternoon fix	330.90	214.731
Day's high	331.10-331.40	
Day's low	329.50-330.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	9.45	6 months	1.63
2 months	9.84	12 months	2.00
3 months	1.00		

Silver fix	p/troy oz	US cts equiv
Spot	240.65	370.13
3 months	244.20	372.80
6 months	247.65	375.90
12 months	254.60	383.45

GOLD COINS

	$ price	£ equivalent
Krugerrand	328.50-331.50	213.00-215.00
Maple leaf	340.60-342.60	-
New Sovereign	78.50-81.50	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	24	54	10	26
1225	13	40	33	38
1250	6	29	51	51
Copper (Grade A)	**Calls**		**Puts**	
2200	79	100	16	43
2250	47	73	33	65
2300	25	51	61	92
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1700	100		3	20
1750	58	93	7	35
1800	31	64	30	55

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	331.1	328.8	332.0	332.0
Feb	331.1	328.8	331.8	329.3
Mar	331.4	329.2	331.0	331.0
Apr	331.7	329.5	332.3	330.0
Jun	332.7	330.3	333.9	330.7
Aug	334.1	331.8	0	0
Oct	335.5	333.2	0	0
Dec	336.9	334.6	337.2	335.2
Feb	338.8	336.3	338.1	338.1

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	369.2	367.8	368.0	363.0
Apr	365.2	363.8	366.0	364.0
Jul	362.1	360.8	362.6	360.0
Oct	360.8	359.3	0	0
Jan	359.4	358.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	368.9	367.9	0	0
Feb	369.4	368.4	0	0
Mar	370.2	369.2	371.5	368.5
May	372.6	371.7	373.5	371.5
Jul	374.9	373.9	376.0	373.5
Sep	377.3	376.3	0	0
Dec	381.2	380.2	382.5	380.0
Jan	382.2	381.2	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	99.95	99.10	100.30	99.80
Feb	100.00	99.15	100.30	100.25
Mar	100.45	99.55	100.90	100.40
Apr	100.65	99.75	100.00	100.70
May	100.80	99.90	101.20	100.75
Jun	100.90	100.00	0	0
Jul	101.05	100.15	101.50	101.05
Aug	101.15	100.25	0	0
Sep	101.30	100.35	101.50	101.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	19.63	19.66	19.50	19.54
Apr	19.89	19.72	19.84	19.61
May	19.79	19.79	19.91	19.71
Jun	19.87	19.87	19.85	19.86
Jul	18.94	18.93	20.00	19.87
Aug	18.92	19.97	20.00	19.82
Sep	19.99	20.00	20.04	19.94
Oct	20.02	20.02	20.03	19.98
Nov	20.00	20.02	20.02	19.97
Dec	20.00	20.01	20.02	19.99

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	55.10	54.56	55.35	54.19
Mar	55.40	54.56	55.00	54.65
Apr	55.13	55.00	55.30	54.75
May	54.70	54.70	54.73	54.40
Jun	54.55	54.60	54.60	54.30
Jul	54.85	54.60	54.85	54.70
Aug	55.50	55.50	55.75	55.40
Sep	56.55	56.65	55.70	56.70
Oct	57.80	57.55	57.95	57.85
Nov	55.50	58.35	58.55	58.50

COCOA 10 tonnes;$/tonnes

	Latest	Previous	High/Low	
Mar	913	943	954	908
May	946	972	982	941
Jul	958	992	1004	996
Sep	993	1015	1022	996
Dec	1037	1048	1056	1035
Mar	1050	1076	1089	1050
May	1087	1097	0	0
Jul	1135	1114	1135	1135
Sep	1155	1140	1155	1155
Dec	1170	1170	1180	1180

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	57.00	56.05	58.05	54.19
May	59.35	61.40	60.00	58.30
Jul	60.35	63.00	62.00	61.00
Sep	67.19	65.40	67.50	63.88
Dec	69.75	68.25	70.35	68.00
Mar	73.25	71.70	68.40	68.75
May	75.90	74.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.62	8.47	8.68	8.47
May	8.78	8.58	8.82	8.68
Jul	8.86	8.75	8.90	8.75
Oct	8.81	8.71	8.82	8.75
Mar	8.79	8.80	8.90	8.90
May	8.69	8.82	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.60	61.60	61.50	59.80
May	60.17	61.77	61.40	59.00
Jul	60.95	62.45	62.00	60.65
Oct	60.38	61.17	60.90	60.05
Dec	59.48	60.00	59.90	59.00
Mar	60.24	60.80	60.50	60.75
May	60.90	61.50	0	0
Jul	61.80	62.02	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	78.55	75.15	77.20	74.70
May	79.65	70.35	80.20	77.80
Jul	82.55	81.10	82.50	80.00
Sep	85.10	82.90	85.05	83.50
Nov	85.65	84.50	84.70	84.70
Jan	88.60	88.00	88.00	87.00
Mar	91.05	89.55	0	0
May	91.55	90.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan.26	Jan.25	mnth ago	yr ago
1682.4	1696.7	1696.0	1594.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan.25	Jan.22	mnth ago	yr ago
Spot	122.18	123.12	-	113.28
Futures	120.52	121.50	-	122.62

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	576/2	578/2	579/4	576/0
May	578/6	579/4	582/4	578/4
Jul	583/4	584/0	587/2	582/6
Aug	584/6	585/0	588/2	584/4
Sep	585/0	585/0	587/4	585/0
Nov	589/6	589/2	593/4	589/2
Jan	597/2	595/0	600/6	596/4
Mar	605/0	604/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.05	21.08	21.20	20.93
May	21.30	21.31	21.42	21.18
Jul	21.50	21.31	21.62	21.35
Aug	21.55	21.53	21.64	21.45
Sep	21.56	21.55	21.60	21.48
Oct	21.56	21.56	21.66	21.48
Dec	21.88	21.84	21.70	21.55
Jan	21.80	21.70	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	183.3	183.7	184.1	183.2
May	183.2	183.4	183.8	183.1
Jul	184.7	184.7	185.2	184.4
Aug	185.2	185.1	185.8	185.0
Sep	186.9	185.9	186.6	185.8
Oct	187.2	186.5	187.4	187.0
Dec	188.5	188.3	189.3	188.9
Jan	189.0	188.6	189.0	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	216/4	217/2	217/4	216/2
May	224/4	225/2	225/2	224/2
Jul	231/2	232/2	232/2	231/2
Sep	237/4	238/2	238/2	237/4
Dec	243/6	244/4	244/6	243/4
Mar	250/4	251/2	251/0	250/2
May	255/4	256/4	256/0	255/4
Jul	259/0	260/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	378/4	383/4	382/4	377/0
May	350/4	355/4	353/4	349/6
Jul	326/6	331/6	330/0	326/0
Sep	330/4	335/6	333/0	330/4
Dec	339/0	343/0	340/4	338/4
Mar	344/4	349/0	0	344/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.575	78.450	78.750	78.300
Apr	77.775	77.475	77.800	77.425
Jun	73.250	72.700	73.375	72.700
Aug	71.775	71.200	71.800	71.200
Oct	72.550	71.975	72.625	72.000
Dec	72.700	72.250	72.700	72.400
Feb	78.575	78.450	78.750	78.200

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.700	44.250	44.200	43.625
Apr	43.300	43.650	43.650	43.200
Jun	48.050	48.225	48.275	47.900
Jul	47.525	47.780	47.800	47.350
Aug	45.750	46.875	45.925	45.525
Oct	41.950	41.775	41.850	41.600
Dec	42.700	42.850	42.800	42.650
Feb	42.925	42.950	0	42.850

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	35.225	36.500	36.400	34.850
Mar	35.625	36.600	36.700	35.400
May	36.350	37.400	37.500	36.200
Jul	36.675	37.750	37.800	36.550
Aug	35.700	36.700	36.475	35.550

Footsie nears its peak after rate cut

By Terry Byland,
UK Stock Market Editor

THE BANK of England caught the London stock market wrong-footed yesterday morning with the unexpected announcement of a one percentage-point cut in domestic interest rates. The City of London had expected the rate reduction to be held back until nearer to Budget dsy.

The market scored its biggest daily gain since mid-September, the FT-SE Index closing within one per cent of its all-time high, after equity strategists saw the base rate move as a clear signal that "the government is pntting economic growtb first, and inflation risk second", to quote ooe leading analyst.

After dawdling at the opening, the UK markets sprang to life wheo the Bank announced that interest rates were being lowered to 6 per cent. Trading volume increased substantially in both stock index futures and the underlying stock market.

Share prices boiled over after the initial gain of 63 Footsie points hut huyers returned st the close in spite of hints that a large rights issue was back on tbe corporate agenda in the wake of the Bank's action.

At its final reading of 2,835.7, tbe FT-SE Index was 63.8 np on tbe day and only 26 points below the peak of 2,861.5 reached on January 4 this year.

The largest gains came in those sectors directly benefiting from lower interest rates, ootably building materials, construction and contracting, food retailers, banks and other financial institutions.

Although the focus was on ths FT-SE listed stocks, the second liners were also strong. The FT-SE Mid 250 Index gained 1.6 per cent to 2,951.6.

The soccess of the UK authorities in catching the market unawares was reflected in trading volume data. On Monday, Seaq volume fell to 490.3m shares, which was worth only £984m in retail terms, at the lower range of recent daily averages. But in the wake of the interest rate cut, Seaq volume jumped to 861.8m shares yesterday.

Market analysts were in no doubt that the move to 6 per cent base rates was a green light for the stock market. Base rates hava now heen rednced hy 400 basis points since sterling's departure from the ERM network in mid-September and the benefits are expected to show up dramatically in ths March round of final corporate results.

Sterling stood up well to the move and the government bond market advanced smartly as investment houses hurriedly reshaped their stances ahead of today's auction of £2.5bn of UK government securities.

However, Mr Ian Harnett at Strauss Turnbull, said that yesterday's move was "the end of the economically justifiable rate cuts – any further reductions could seriously endanger sterling".

Many strategists, perbaps showing wisdom after the event, said the authorities either had to make their move on interest rates before the bond auction, or wait until well afterwards: some suggested that the rate cut, regarded as a reaction to last week's poor data on UK unemployment, might have been delayed until the new governor of the Bank of England could set his seal on the decision.

Equity professionals are convinced that share earnings will now achieve a recovery of 15 to 20 per cent this year, but asked themselves what further move to stimulate the economy the government can now produce on Budget day in March.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AOT	12	475		Comm. Union	1,200	539	+14	Lonrho	3,400	75	+1½	Shell Transport	7,500	547	+17
ASDA Group	12,000	66	+½	Cookson	1,900	208	+9	Lucas	2,100	139	+7	Siebe	2,700	448	+8
Abbey National	7,200	380	+22½	Courtaulds	1,100	583	+19	MB Caradon	1,100	312	+14	Slough Ests	866	162	+7
Albert Fisher	2,900	72	+1	Dalgety	1,000	488	+4	MEPC	2,600	335	+6	Smith (W.H.) A	1,000	466	+8
Allied–Lyons	3,000	607	+10	De La Rue	478	880	+11	Manweb	925	488	+2	Smith & Nephew	1,600	158	+2
Amstrad	442	24½	–½	Dixons	3,000	235	–1	Marks & Spencer	10,000	327	+8	SmKl Beecham	3,200	501	+7
Anglian Water	987	475	+5	Eastern Elect.	1,100	419		Midlands Elect.	135	459	+2	SmKl Beecham Uts.	939	437	+7
Argos	1,100	291	+6	East Midland Elect.	1,400	414	–1	Morrison (Wm.)	1,200	165	+2	Smiths Inds.	1,900	359	–10
Argyll Group	4,600	398	+14½	Eng China Clays	1,300	465	+12	NFC	3,200	274	+3	Southern Elect.	1,200	434	
Arjo Wiggins	2,200	189	+8	Enterprise Oil	3,300	434	+13	NatWest Bank	8,900	457	+14	South Wales Elect.	434	486	–2
Ass. Brit. Foods	193	492	+7	Eurotunnel Units	285	409	+8	National Power	3,100	230½	–2	South West Water	808	482	+10
Ass. Brit. Ports	354	378	+14	FKI	4,900	112		Next	3,300	145½	–2½	South West. Elect.	502	452	+4
BAA	2,000	798	+17	Fisons	3,400	220	–3	North West Water	4,800	469	+12	Southern Water	1,400	465	+4
BAT Inds.	3,100	988	+22	Forte	7,500	181	+6	Northern Elect.	637	465	+2	Standard Chartd.	2,100	669	+16
BET	3,700	101	+4	Gen. Accident	1,500	582	+23	Northern Foods	2,300	271	+6	Storehouse	3,300	213½	+2½
BICC	2,000	380	+20	General Elect.	9,300	280	+5	Norweb	320	480	–3	Sun Alliance	2,000	348	+15
BOC	1,200	746	+6	Glaxo	5,700	682	–13	Pearson	2,000	378	+9	T&N	2,800	178	+7
BP	19,000	241½	+10	Glynwed Int.	579	258	+4	P & O	3,400	550	+10	TI Group	3,200	358	
BPB Inds.	2,100	194	+4	Granada	3,300	359	+11	Pilkington	4,800	104	+4	TSB	8,200	188	+3
BT	6,500	399	+11½	Grand Met.	4,000	457	+22	PowerGen	3,100	302	–1	Tarmac	7,900	110½	+6½
BT New	4,500	284	+11½	GUS A	688	1609	+38	Prudential	5,500	304	+12	Tate & Lyle	1,300	387	+1
BTR	5,000	559	+10	GRE	6,400	176	+4	RMC	893	678	+16	Taylor Woodrow	898	72	+3
Bank of Scotland	6,800	135	+6½	GKN	1,400	466	+6	RTZ	2,700	655	–1	Tesco	11,000	288	+7
Barclays	13,000	435	+20	Guinness	2,800	475	+6	Racal	3,200	176	+6	Thames Water	2,400	477	+6
Bass	1,400	807	+13	HSBC (75p shs)	9,500	559	+6	Rank Org.	1,200	737	+23	Thorn EMI	1,400	833	+6
Beresford Int.	331	727		Hammerson 'A'	272	271	+11	Reckitt & Colman	737	630	+6	Tomkins	2,500	270	+8
Blue Circle	4,200	218	+6	Hanson	16,000	243¾	+6¼	Redland	3,100	489	+27	Trafalgar House	5,500	99	+6½
Booker	1,300	419	+4	Hanson Warrants	3,400	25¼	+¼	Reed Intl.	834	684	+18	Unigate	1,100	327	+8
Boots	2,000	526	+7	Harrisons Crosfield	2,300	707	+8	Rentokil	478	221	+8	Unilever	1,900	1120	+11
Bowater	631	474	+8	Hillsdown	6,000	121	+2	Reuters	874	1348	+35	United Biscuits	2,800	371	+15
Brit. Aerospace	5,400	228	+1	IMI	797	268	+8	Rolls Royce	3,700	117	+4	Utd. Newspapers	342	515	+11
British Airways	10,000	274½	+2½	ICI	2,800	1135	+28	Rothmans	1,400	831½	+28½	Vodafone	3,200	394	+6
British Gas	8,200	293	+6	Inchcape	888	563	+20	Ryl Bk Scotland	3,000	203	+8	Warburg (SG)	790	688	+13
British Land	788	188	+9	Kingfisher	1,700	550	+6	Royal Insurance	6,200	285	–3	Wellcome	1,900	917	+2
British Steel	8,000	67	+1½	Kwik Save	297	820	+13	Saatchi	825	163	+4	Welsh Water	592	611	–4
Bunzl	1,400	128	+2	Ladbroke	8,800	202½	+10½	Sainsbury	4,000	572	+17	Wessex Water	1,800	568	–9
Burmah Castrol	700	101	+11	Land Securities	1,900	454	+7	Scottish & New.	880	448	+3	Whitbread 'A'	3,300	452	+14
Burton	8,300	78	+7	Laporte	315	634	+5	Scot. Hydro–Elect.	1,400	242½	–2½	Williams Hldgs.	2,400	341	+7
Cable & Wire.	1,900	728	+15	Legal & General	3,400	447	+18	Scottish Power	3,500	223¾	–½	Willis Corroon	1,100	200	+9
Cadbury Schweppes	2,500	480	+3	Lloyds Abbey	2,000	449	+15	Sears	6,300	100	+3	Wimpey	808	115	
Calor Group	88	235	+6	Lloyds Bank	3,000	535	+22	Sedgwick	1,700	188	+1	Wolseley	247	547	+6
Carlton Comms.	1,000	790	–1	LASMO	5,800	159½	+4½	Seeboard	46	458	+3	Yorkshire Elect.	409	483	+1
Coats Viyella	3,300	215	+3	London Elect.	1,700	440	–1	Severn Trent Water	3,300	459	+11	Yorkshire Water	733	515	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Jan 18	Feb 1	Feb 15
Option Declarations:		
Jan 28	Feb 11	Feb 25
Last Dealings:		
Jan 29	Feb 12	Feb 26
Account Day:		
Feb 8	Feb 22	Mar 8

*New time dealings may take place from 8.30am two business days earlier.

Hopes for Reuters service

NEWS AND electronic dealing agency Renters Holdings advanced sharply ahead of a presentation by the company today of a new information service. The optimism countered the effect that a fall in interest rates will have on the group's cash mountain of about £650m.

The company has invited electronics and media analysts to a preview of Equity Focus, a system which is designed to attack tbe £60m s year market dominated by the Topic information service controlled by the London Stock Exchange.

Following recent slides, Reuters sbares hounced 35 to 1348p. The price was also supported hy news that Reuters has signed a long-term agreement under which two companies will give Reuters exclusive data on certain non-US government debt securities.

Mr Brian Newman, of agency broker Henderson Crosthwaite, who is an establisbed Reuters enthusiast, added tbat the shares had been oversold following recent bear raids and that the shares were due for a strong rally ahead of preliminary figures on February 9.

Glaxo slides

A sharp shift from recession-defensive stocks hit the pharmaceutical sector in general and Glaxo in particular. The group, consistently at or near the top of the market's league of most highly valued companies, was also affected by news of a ssnior management appointment.

The announcement that Mr Arthur Pappas has been made responsible for strategy for over-the-counter drug business in the US revived concern that the company might be considering a bid in that area.

There was also a continuation of heavy US selling. Lehman Brothers, the US investment bank, was a big seller on both sides of the Atlantic. The shares retreated 13 to 682p, their lowest level since July, with 5.7m traded.

Asda nerves

In a buoyant food retail sector, talk of a rights issue by Asda held hack the shares, which closed a mere halfpenny ahead at 66p. There were suggestions of an imminent three-for-one issue at 50p, a move which would raise about £350m for the indehted supermarket group.

While many analysts were receptive to the notion, most questioned the timing, saying much of Asda's debt was fixed until the end of the year. With an improving trading position, the need for such a large amount of cash was also brought into question, although Asda's refurbishment and new store programme could ba accelerated by an injection.

Dealers further reported continued US selling on the back of a negative US note last week. Sellers were said to be switching into Kwik Save, up 13 at 820p. Elsewhere, Argyll Group forged ahead 14½ to 398p, J. Sainsbury 17 to 572p and Shoprite 43 to 773p.

Euro Disney strong

Expected poor first-quarter results from Euro Disney had the unexpected effect of sending the shares sharply forward. They rose on a rumour that one big US house had turned poaltive, leaping 35 before receding to close 28 up at 808p.

Merrill Lynch was reported to have raised its intermediate-term rating on the stock to above average from neutral, and increased its long-term rating to buy from sbove average. The house was unable to comment on the report.

However, neither the rumour nor the results satisfied London analysts, who remained largely negative. "I have heard nothing today to alter my pessimistic view," said Mr Nigel Reed at Paribas, who retained his forecast of a full-year loss of FFr1.024bn (£120m).

News that Knwait is prepared to join Saudi Arabia and Iran in cutting output in order to drive oil prices higher, better than expected fourth-quarter earnings from Exxon, the US oil giant, and a fresh upsurge hy Wall Street drove the oil sector sharply higher again.

UK oil specialists, however, tended to adopt s cautious attitude to the sector, saying that the rise in oil prices and oil shares in recent days had already discounted any good news expected from the February 13 Opec meeting. "It is precantionary bnying, an insurance policy against oil prices moving above $20," said one oil analyst.

BP was the star performer, climbing 10 more to 241½p in the wake of some sustained buying interest from the US. Turnover in BP reached a hefty 19m shares. Shall advanced 15 to 545p on 7.5m traded. A buyer of 1m Enterprise Oil shares was responsihla for driving the stock up 13 to 434p.

The market was caught on the hop by the £80m rights issue from Wessex Water, the first cash call from any of the privatised utilities, to help finance the acquisition of Waste Management from NFC.

Wessex shares dropped to 554p immediately following the news but later rallied to close 9 off at 568p. NFC, an exceptionally strong market since the middle of last week, appreciated 3 to 274p.

Other water issues, poor performers recently as hints of possible cash calls to fund acquisitions circulated in the market, staged a good revival. North West Water, known to be keen on expanding in the waste disposal area, rallied 12 to 469p on heavy turnover of 4.1m, while Severn Trent, which bought the Biffa waste disposal business from BET a couple of years ago, added 11 at 459p with 3.3m shares traded. Thames put on 6 at 477p on 2.4m and Anglian 5 at 475p.

Electricity stocks, on the other hand, underperformed the market, with dealers highlighting a shift in sentiment away from the more defensive areas of tbe market to tbe cyclical sectors.

Bank shares were in the forefront of the market's surge, led by Barclays, up 20 at 435p on 13m traded, Lloyds, 22 ahead at 535p, and National Westminster, which raced up 14 to 457p. Discount houses, beneficiaries of falling interest rates, showed Cater Allen 15 better at 428p, while a strong merchant banks area was highlighted by Kleinwort Benson, 14 to the good st 332p.

Royal Insurance was one of only nine FT-SE 100 stocks to lose ground over the session. Royal slipped 3 to 285p in heavy two-way trade of 6.2m amid renewed speculation that the composite insurer could be about to launch a substantial rights issue in order to rebuild its capital base.

Smiths Industries, s supplier to Boeing, fell 10 to 359p after the aircraft maker announced production cuts.

Turnover in British Aerospace reached 5.2m, although the strong buying of the past week appeared to have run out of steam and the stock closed only a penny firmer at 228p. Recently announced increases in steel prices helped ASW Holdings add 8 at 126p.

Several stocks were assisted by yiald bnying. These included IMI, up 8 at 268p, VSEL, 9 better at 525p, GKN, also up 9 at 466p, and T & N, which moved 7 ahead to 178p.

Shares in Bromsgrove gained 5 to 87p after a hoy recommendation from James Capel Unit Trusts.

In transports, Associated British Ports jumped 14 to 378p on the announcement of an £18m expansion plan.

A two-way pull on MFI pinned back the shares to a rise of just 2 at 139p. While a number of brokers remain positive on the stock – yesterday Carr Kitcat & Aitken issued a full-bodied note advising investors to "buy on weakness" – more spurious stories were also doing the rounds, suggesting January sales had been weak.

The stronger dollar, together with presentations to Scottish institutions, helped Grand Metropolitan surge 22 to 457p.

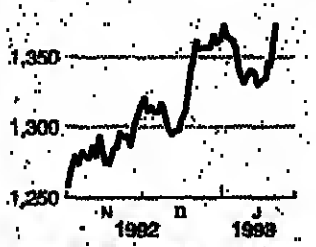
Carlton Communications was held back as Hoare Govett highlighted a trade press article on the tbreat to the company by pay-as-you-watch transmission operations. The shares eased a penny to 790p.

Conglomerate Hanson saw unusually heavy turnover of 16m, the shares closing 6¼ better st 243¾p as chairman Lord Hanson gave a cautiously optimistic agm statement.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson.

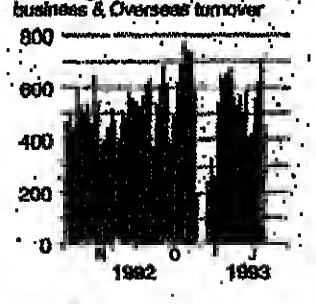
■ Other market statistics, Page 23

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business & Overseas turnover



FINANCIAL TIMES EQUITY INDICES

	Jan 26	Jan 25	Jan 22	Jan 21	Jan 20	Year ago	High	Low
Ordinary share	2189.9	2145.0	2152.2	2143.7	2133.9	1973.8	2209.9	1670.0
Ord. div. yield	4.31	4.39	4.38	4.39	4.41	4.63	5.34	4.23
Earning yld % full	5.93	6.05	6.03	6.03	6.06	6.94	-	-
P/E ratio net	21.52	21.10	21.15	21.14	21.04	18.11	21.93	15.79
P/E ratio nil	19.88	19.49	19.54	19.53	19.43	17.09	-	-
Gold Mines	64.3	63.2	63.6	61.8	60.0	153.3	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2209.9 4/1/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2148.9	2150.7	2163.1	2181.6	2188.1	2191.4	2187.5	2190.0	2187.1	2191.7	2143.8

Volume	Jan 26	Jan 25	Jan 22	Jan 21	Jan 20	Year ago
SEAQ Bargains	39,474	31,171	31,229	30,486	27,269	27,881
Equity Turnover(£m)†	-	984.0	1492.1	1487.0	1328.5	952.0
Equity Bargains†	-	34,517	36,368	43,558	38,427	27,458
Shares traded (mil)†	-	460.4	709.6	616.5	586.3	450.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (288).
BRITISH FUNDS (14) AMERICANS (1) Sears Roebuck, BANKS (6) Bk. Scot., Barclays, NatWest, Ryl. Bk. Scot., Standard Chartd., TSB, BREWERS (2) Burtonwood, Wetherspoon, BLDG MATLS (3) Anglian, Katon, Wolseley, BUSINESS SERVS (9) Chubb, Hays, Johnson Cleaners, MITIE, Penna, Rentokil, Salvesen, Securiguard, Wills, CHEMS (3) Chemex, Croda, Halstead, CONGLOMERATES (2) Harrisons & Crosfield, Tomkins, CONTG & CONSTRCN (8) Abbey, Bailey (B), Barratt Devs., Beltway, Crest Nicholson 8½pc Pf., NSM, ELECTRICALS (2) Menvier-Swain, Pifco A, ELECTRONICS (14) Astec (BSR), Blick, Control Techs., Cray, Domino, Elect'comps, Electron Hse, Eurotherm, Gresham, Macro 4, Micro Focus, Mieys, Ptarmigan, Tunstall, ENG AERO (2) Hunting 6¼pc Pf., Westland, ENG GEN (7) Adwest, Carclo, Concentric, Mayflower, Powerscreen, Rotork, Senior Eng., FOOD MANUF (3) Barr, Dalgety, Finlay, FOOD RETAILING (1) Shoprite, HEALTH & HSEHOLD (5) Bespak, Brit. Bio-Tech., Seton, Takare, Tamaris, HOTELS & LEIS (3) City Centre Rests., Compass, Kunick, INSCE LIFE (8) Britannic, Legal & Gen., Lloyds Abbey, Lon. & Manchester, Refuge, Transatlantic, Do 8pc Pf., Utd. Friendly, INV TRUSTS (128) MEDIA (11) Abbott Mead Vickers, GWR, Gold Greenlees Trott, Harrington Kilbride, Haynes, Johnston Press, LWT 6.90625pc Pf., Metal Bulletin, Scot. TV, Telegraph, Watmoughs, MERCHANT BANKS (8) Close Bros., Hambros 7½pc Pf., Kleinwort Benson, Schroders, Do N/V, Singer & Friedlander, MTL & MTL FORMING (1) Billam, MISC (8) Airsprung Furn., Black (P), Chemring, Danka, EFG, Flogas, Photo-Me, Stm. Business, MOTORS (6) Avon Rubber, BBA 6¾pc Pf., Bletchley, Burndene, Cowie, T & N, OIL & GAS (2) Pittencrieff, Sidlaw, OTHER FINCL (16) Cattle's, EFT, Gerrard & Natl., Investment Co, King & Shaxson, Lon. Forfaiting, Lon. Scot., Perpetual, Provident Fincl., Secure Tst., OTHER INDLS (6) Charter Cons., Cookson, Vinten, Watts Blake, Williams 8pc Pf., PACKG, PAPER & PRNTG (4) API, Bemrose, Boxmore, Britton, PROP (4) Helical Bar 5¼pc Pf. '12, Lon. Merchant 7¾pc Cv. '00-05, Savills, Slough 5pc '03, STORES (3) Asprey, Courts, Goldsmiths, TEXTS (8) Allied Textile, Courtaulds, Leeds, Readicut, Yorklyde, TRANSPORT (2) Natl. Express, P & O 6¼pc Pf., PLANTATIONS (1) Bertam.
NEW LOWS (6).
ELECTRONICS (1) Pacer Systems, ENG GEN (1) Mining & Allied Supplies, FOOD MANUF (1) Golden Vale, MISC (2) Hornby, Roxspur, PROP (1) Power Corp.

EQUITY FUTURES AND OPTIONS TRADING

THE DERIVATIVES sector had one of its best days in the last few months with turnover rising sharply, after the cut in interest rates took dealers by surprise, writes Joel Kibazo.

In stock index futures, traders had expected a run-of-the-mill session when the March contract on the FT-SE started trading at 2,785. Having retreated to 2,782 in early selling, March surged forward after the announcement of the reduction in rates. Within minutes of the news the contract was trading st 2,830, although a dealer pointed out that there was a lack of liquidity initially.

However, turnover began to be generated when leading US houses moved in as big buyers, and most of the selling was done by independent traders.

March ended at 2,860, up 88 from Monday's close and around 29 points above its estimated fair value premium to cash of about 9. Turnover at 21,024 lots was 160 per cent above January's average total.

Heavy trading was also seen on the traded options side, where the average daily volume for the last month jumped by 130 per cent to 53,586 contracts from Tuesday's total of 21,384 lots.

The FT-SE 100 option had 20,820 lots traded. The rest of the sector was also busy. Asda was the most active stock option, with 3,638 contracts transacted as talk of a rights issue did the rounds. It was followed by Trafalgar House at 2,292, and GEC at 2,035.

FT-SE Actuaries Share Indices THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2835.7 +63.8	2951.6 +47.4	1373.49 +28.62

	Jan 26	Day's change %	Jan 25	Jan 22	Jan 21	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2835.7	+2.3	2771.9	2781.2	2773.3	2552.0	6.26	4.31	20.52	3.43
FT-SE Mid 250	2951.6	+1.6	2904.2	2909.0	2889.2	2486.4	7.05	4.39	17.93	5.18
FT-SE-A 350	1393.3	+2.2	1363.8	1367.9	1363.8	1234.7	6.43	4.33	19.91	1.85
FT-SE SmallCap	1459.58	+1.8	1437.10	1435.92	1431.74	–	5.64	4.36	24.75	1.69
FT-SE SmallCap ex Inv Trusts	1470.30	+1.5	1447.91	1448.43	1442.89	–	6.26	4.63	22.89	1.77
FT-A ALL-SHARE	1373.49	+2.1	1344.87	1348.55	1344.64	1219.99	6.38	4.33	20.14	1.82
1 CAPITAL GOODS(211)	901.20	+1.9	884.48	885.22	878.56	768.65	6.27	4.78	20.87	1.27
2 Building Materials(27)	931.52	+3.3	901.70	903.18	898.23	959.50	5.48	5.79	25.97	0.77
3 Contracting, Construction(29)	742.68	+3.1	720.47	722.02	720.61	869.82	3.43	8.55	80.00†	0.20
4 Electricals(14)	2670.89	+3.7	2576.25	2587.03	2576.88	2462.96	6.08	5.43	21.67	1.02
5 Electronics(35)	2406.99	+1.7	2366.22	2356.28	2321.86	1790.85	8.55	3.54	19.32	13.48
6 Engineering-Aerospace(7)	320.00	+0.6	318.03	316.49	317.07	334.64	11.03	7.31	11.54	0.00
7 Engineering-General(52)	530.60	+1.3	523.80	524.69	524.04	491.72	7.61	4.49	16.60	0.96
8 Metals & Metal Forming(11)	346.60	+1.6	341.26	337.79	333.31	330.93	5.03	3.81	28.53	0.14
9 Motors(16)	389.07	+2.1	380.99	381.29	382.98	301.97	5.09	6.02	28.91	0.00
10 Other Industrials(18)	2019.97	+1.3	1993.61	2005.11	1980.09	1818.83	6.18	4.21	19.72	0.39
21 CONSUMER GROUP(232)	1728.44	+1.5	1702.55	1714.01	1715.45	1651.70	6.76	3.40	18.39	2.65
22 Brewers and Distillers(28)	2000.82	+2.6	1951.01	1950.33	1962.37	2071.71	8.35	3.78	14.50	10.14
25 Food Manufacturing(22)	1369.81	+1.3	1352.54	1357.18	1350.64	1241.65	7.68	3.61	16.27	1.46
26 Food Retailing(18)	3404.56	+2.6	3318.78	3340.89	3330.28	2527.99	7.57	2.99	17.18	0.41
27 Health & Household(29)	3975.29	–0.2	3985.10	4056.94	4075.74	4500.08	5.80	2.85	20.81	0.54
29 Hotels and Leisure(20)	1316.02	+2.6	1282.82	1288.78	1295.77	1280.67	6.38	5.24	20.82	8.25
30 Media(33)	1848.37	+2.0	1813.01	1816.24	1815.38	1484.77	5.50	2.81	22.66	0.94
31 Packaging and Paper(23)	802.40	+1.8	788.47	792.43	788.09	755.04	6.66	4.05	18.51	0.21
34 Stores(36)	1137.24	+1.6	1117.44	1121.44	1117.78	1022.20	6.34	3.18	20.94	0.98
35 Textiles(20)	755.41	+0.9	748.40	749.88	747.91	609.12	6.52	4.20	19.42	0.00
40 OTHER GROUPS(143)	1461.53	+2.1	1431.63	1431.60	1424.90	1206.95	8.38	4.75	14.69	3.04
41 Business Services(27)	1598.26	+2.6	1557.10	1562.36	1551.61	1375.89	5.61	3.22	21.98	0.14
42 Chemicals(24)	1468.46	+2.0	1439.57	1445.75	1449.34	1475.51	6.24	4.99	20.19	0.30
43 Conglomerates(11)	1466.04	+3.1	1421.93	1430.13	1424.83	1297.99	7.26	7.28	15.72	1.63
44 Transport(16)	2849.86	+2.0	2792.89	2796.21	2775.87	2402.96	7.90	4.17	15.21	1.04
45 Electricity(16)	1564.61	–0.2	1567.72	1563.04	1553.52	1195.66	13.85	4.86	9.28	16.54
46 Telephone Networks(4)	1676.24	+2.6	1632.98	1615.98	1609.91	1385.25	7.95	4.08	16.36	1.56
47 Water(13)	3198.78	+1.1	3162.78	3185.02	3147.09	2334.78	14.28	5.54	7.78	11.83
48 Miscellaneous(32)	2512.25	+2.6	2449.71	2460.92	2447.69	1818.74	5.75	4.09	21.53	0.36
49 INDUSTRIAL GROUP(586)	1440.28	+1.8	1415.18	1419.91	1416.34	1293.42	7.22	4.11	17.28	2.45
51 Oil & Gas(18)	2214.02	+3.4	2141.76	2134.65	2128.93	2176.19	6.03	5.86	21.80	0.00
59 "500" SHARE INDEX(604)	1514.17	+1.9	1485.47	1489.46	1485.69	1372.82	7.10	4.28	17.65	2.31
61 FINANCIAL GROUP(88)	934.72	+3.3	904.57	907.23	903.00	730.87	2.93	4.84	73.36	0.08
62 Banks(9)	1301.54	+3.6	1256.81	1257.18	1248.62	877.33	4.64	4.53	32.62	0.00
65 Insurance (Life)(6)	1844.33	+4.0	1773.36	1786.08	1799.51	1414.23	2.74	4.93	64.25	0.00
66 Insurance (Composite)(7)	649.67	+2.8	631.94	639.37	632.01	516.90	‡	4.64	‡	0.00
67 Insurance Brokers(10)	804.14	+2.0	787.99	787.88	791.86	1025.53	7.54	5.64	17.82	0.00
68 Merchant Banks(6)	538.31	+2.5	525.37	525.91	523.41	466.19	7.94	4.24	16.56	0.00
69 Property(28)	659.78	+2.6	643.32	646.00	646.27	789.30	8.51	6.42	15.21	0.62
70 Other Financial(23)	316.39	+3.5	305.77	305.67	303.42	239.84	8.84	5.33	19.22	0.05
71 Investment Trusts(107)	1359.30	+1.9	1333.50	1337.75	1331.25	1194.98	2.44	3.09	40.96	2.07
99 FT-A ALL-SHARE(690)	1373.49	+2.1	1344.87	1348.55	1344.64	1219.99	6.38	4.33	20.14	1.82

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2776.7	2780.6	2796.3	2821.8	2826.8	2835.5	2832.1	2831.9	2831.8	2838.2	2772.9
FT-SE Mid 250	2905.3	2906.8	2916.8	2935.2	2940.5	2943.2	2943.8	2945.6	2949.6	2951.6	2901.3
FT-SE-A 350	1365.8	1367.4	1374.5	1386.2	1388.3	1392.3	1391.1	1391.2	1391.8	1393.4	1364.0

Gross dividend yield (ACT at 25%) FT-SE 100: 4.33

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1421.1	1419.5	1433.7	1462.1	1464.8	1467.1	1465.2	1468.1	1468.8	1467.7	1420.9	+46.8
Health & H	1200.2	1207.4	1209.1	1214.1	1213.3	1214.5	1208.9	1205.6	1199.1	1197.8	1201.3	-3.5
Water	1301.8	1301.1	1295.3	1304.8	1316.7	1318.7	1316.7	1319.6	1320.0	1321.7	1306.7	+15.0
Banks	1529.1	1529.3	1545.9	1567.5	1571.9	1579.0	1576.2	1576.5	1577.2	1581.0	1527.4	+53.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.
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LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or –	1992/93 high	low	Yield Int.	Red.
"Shorts" (Lives up to Five Years)							
10pc 1993‡‡		100⅞	+⅛	101½	99⅞	9.92	6.04
12½pc 1993‡‡		103⅛	+¼	104⅞	100½	12.12	5.69
Funding 6pc 1993‡‡		100⅛	+⅛	100⅛	95⅛	5.89	5.88
Treas 13¾pc 1993‡‡		106⅛	+¼	107⅝	103⅛	12.93	5.79
8½pc 1994		102⅝xd	+⅜	102⅝	96⅛	8.28	5.75
14½pc 1994‡‡		108xd	+⅜	110⅛	104⅝	13.38	5.85
Exch 13½pc 1994		109⅛	+⅛	110⅝	103⅝	12.38	5.87
Treas. 10pc Ln. 1994‡‡		105⅜	+⅛	105⅝	98⅝	9.48	5.82
Exch 12¼pc 1994		108½xd	+⅜	110⅛	103⅛	11.38	5.91
Treas 9pc 1994‡‡		105⅜	+⅜	105⅝	96⅜	8.55	5.87
12pc 1995		111⅛	+⅞	111⅛	102⅝	10.86	6.04
Exch 3pc Gas 90-95		96⅛	+⅛	96⅛	88⅛	3.12	4.86
10¼pc 1995		109⅜	+⅜	109⅜	99⅝	9.37	6.14
Treas 12¾pc 1995‡‡		116⅜	+1	116⅜	106⅛	10.86	6.27
14pc 1996		119⅜	+1⅛	119⅞	108⅜	11.69	6.61
9pc 1992-96‡‡		100xd	—	104½	96⅝	9.00	7.07
15¼pc 1996‡‡		124⅝	+1	126⅜	113⅜	12.24	6.75
Exch 13¼pc 1996‡‡		118⅝	+⅜	119⅝	108	11.14	6.76
Conversion 10pc 1996		110⅝	+⅜	110⅝	98⅝	9.04	6.77
Treas 13¼pc 1997‡‡		121⅜	+1	121⅜	109⅜	10.91	7.00
Exch 10½pc 1997		112⅝xd	+1⅛	112⅝	100⅜	9.32	6.88
Treas 8¾pc 1997‡‡		107⅛xd	+1	107⅛	94	8.16	6.87
8¾pc '97 ‡‡		106⅛xd	—	106⅝	105⅛	8.28	7.04
Exch 15pc 1997		130⅝	+1⅛	131⅛	117⅝	11.48	7.19
9¾pc 1998		111¼	+1⅛	111⅝	97⅜	8.76	7.03
Five to Fifteen Years							
Treas 7¼pc 1998 (£25 pd)		27⅛	+1⅛	27⅛	24⅛	7.14	6.89
Treas 6¾pc 1995-98‡‡		98⅝	+1⅛	98⅝	86⅝	8.78	6.77
15½pc '98‡‡		136⅛	+1⅛	137⅝	123⅛	11.38	7.53
Exch 12pc 1998		120⅝	+1⅛	121⅛	107⅝	9.95	7.55
Treas 9½pc 1999‡‡		110⅛	+⅞	111⅛	97⅛	8.62	7.36
Exch 12¼pc 1999		122⅛	+1⅛	123⅛	108⅛	10.04	7.70
Treas 10½pc 1999		115⅛	+1⅛	116⅛	101⅝	0.13	7.49
Conversion 10¼pc 1999		114⅜	+1⅛	116⅝	100⅝	8.96	7.53
9pc 2000‡‡		106xd	+1⅛	108⅛	94⅝	8.53	7.53
Treas 13pc 2000		127⅝	+1⅛	128⅝	114⅝	10.20	8.04
10pc 2001		112¼xd	+1¼	113⅝	99⅝	8.91	7.92
14pc '98-1		127⅛	+1¼	128⅝	115⅝	10.86	7.80

BRITISH FUNDS - Cont.

	Notes	Price £	+ or –	1992/93 high	low	Yield Int.	Red.
9¾pc 2002		110⅝xd	+1⅛	111⅞	98⅛	8.83	8.15
8pc 2003 (£25 pd)		24⅝	+1⅛	24⅝	21⅝	8.04	8.07
10pc 2003		111⅞	+1⅛	113⅛	100⅛	8.96	8.31
Treas 11½pc 2001-4		118⅝	+1⅛	120¼	107⅛	9.67	8.26
Funding 3½pc '99-4		69¼	+⅞	69⅜	59½	5.05	7.55
Conversion 9½pc 2004		107⅞	+1⅛	109⅛	96⅞	8.64	8.46
9½pc 2005		107¼	+⅞	109⅛	96⅞	8.86	8.52
Treas 12½pc 2003-5		128⅜	+1⅛	128¼	116⅛	9.86	8.69
8pc 2002-6‡‡		96⅛	+1⅛	97⅞	85⅞	8.32	8.54
Treas 11¾pc 2003-7		120⅝	+1⅛	122⅞	110⅝	9.75	8.63
Treas 8½pc 2007 ‡‡		98⅝	+⅞	100⅝	86⅝	8.61	8.65
13½pc '04-8		133	+1⅛	135⅝	123⅝	10.11	8.72
Over Fifteen Years							
9pc 2008 ‡‡		102⅝	+¼	104⅝	93⅝	8.78	8.70
8pc 2009		93¼	+⅞	95⅛	85⅛	8.58	8.76
8pc 2009 A (£50 pd)		58⅝	+⅛	60⅝	50⅞	8.58	8.77
Conv 9pc Ln 2011 ‡‡		101⅝	+⅞	103⅝	93⅝	8.87	8.92
Treas. 9pc 2012		101⅝xd	+⅞	103⅝	93⅝	8.88	8.94
9pc 2012 A		102⅝xd	—	103½	94¼	8.76	8.94
Treas 5½pc 2008-12‡‡		70⅝	+⅞	72⅝	62⅝	7.78	8.58
7¾pc 2012-15‡‡		90⅝	+⅞	92⅛	81⅝	8.57	8.73
Exch 12pc '13-'17		127⅝	+¼	130	118⅝	9.43	9.05
Treas 8¾pc 2017		98⅛xd	+⅛	101⅛	91⅝	8.94	8.92
Undated							
Consols 4pc		44⅛xd	+⅛	46⅛	39⅞	8.98	–
War Loan 3½pc‡‡		39⅛	+⅞	40¼	35⅛	8.93	–
Conv 3½pc '61 Aft.		61⅛	+⅛	63⅝	53	5.69	–
Treas 3pc '66 Aft.		34	—	35	29⅝	8.82	–
Consols 2½pc		29⅛	+⅛	29⅝	24⅝	8.57	–
Treas. 2½pc		28¼	+⅛	28	24⅝	8.85	–

BRITISH FUNDS - Cont.

	Notes	Price £	+ or –	1992/93 high	low	Yield (1)	(2)
Index-Linked	(b)						
Treas. 2pc '94	(102.9)	133⅛	+⅞	133⅛	122¼	–	0.91
2pc '96	(67.9)	197⅛	+1⅛	197¼	178⅛	1.59	2.33
4⅝pc '98	(135.6)	107⅝	+1¼	108⅛	100⅝	2.36	2.83
2½pc '01	(78.3)	161⅝	+1⅞	162⅝	139⅛	3.02	3.37
2½pc '03	(78.8)	157⅝	+1⅞	158⅞	135	3.17	3.47
4⅝pc '04	(135.6)	107⅝	+1½	109⅛	101⅜	3.27	3.55
2pc '06	(69.5)	161⅞	+1⅛	162⅝	137⅛	3.37	3.59
2½pc '09	(78.8)	140⅞	+1⅞	147⅝	124⅝	3.51	3.71
2½pc '11	(74.6)	151⅞xd	+1⅞	152⅝	129⅛	3.58	3.75
2½pc '13	(89.2)	124⅛xd	+1⅞	125⅛	106⅛	3.58	3.76
2½pc '16	(81.6)	132⅞	+1⅞	133⅞	112⅞	3.63	3.79
2½pc '20	(83.0)	128⅝	+1⅞	128⅝	107⅝	3.68	3.82
2½pc '24‡‡	(97.7)	104⅝	+1⅛	105⅝	88⅞	3.71	3.84
4⅛pc '30‡‡	(135.1)	106¼	+1⅛	107⅝	91⅝	3.71	3.84

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for May 1992: 139.3 and for December 1992: 139.2.

OTHER FIXED INTEREST

	Notes	Price £	+ or –	1992/93 high	low	Yield Int.	Red.
African Dev 11¼ 2010		116⅝	+½	118⅛	105⅞	9.55	9.18
Asian Dev 10¼pc 2009		108⅝	+⅛	111⅜	100⅛	9.35	6.16
B'ham 11½pc 2012		115	—	118¼	102⅝	9.81	9.67
Ireland Cap 8½pc '10		101½	+½	103	88⅜	8.37	–
9pc Cap 1996		103	—	105½	90	8.74	–
13pc '97-2		117	+½	119⅞	103⅞	11.11	–
Hydro Quebec 15pc 2011		139⅝	+	141⅝	130⅝	10.72	10.15
Leeds 13½pc 2006		129	—	129½	116¼	10.47	9.67
Liverpool 3½pc Irred		34½	—	38	30	10.14	–
LCC 3pc '20 Aft.		31	—	32	27	9.68	–
Manchester 11½pc 2007		114½	—	118	103¼	10.04	9.83
Met. Wtr. 3pc 'B'		64⅛	—	64½	53	4.67	6.11
N'wide Anglia 3⅝pc 2021		116¼	—	121	103¼	~	4.94
4⅝pc IL 2024		116¼	—	118¼	103¼	~	4.77
Utd Mex States 16½pc 2008		133	—	133	121½	12.41	11.92

Continued on next page

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	18¼xd	—	21¼	14⅝	15,186	2.1
Allegheny & W ♥	433p	—	457p	226p	225.0	4.4
Amdahl	487p	—	1158p	435p	568.1	1.3
Amer Cyanamid	34½	—	38⅝	28⅝	3,119	3.0
Amer Express	16⅞xd	-⅜	16⅝	10⅞	7,857	3.9
Amer T & T	33½xd	-1⅜	38⅞	20⅝	44,551	2.5
Ameritech	47⅞	—	48	32½	20,981	4.8
BankAmerica	32⅞xd	-1⅛	34½	19¾	11,305	2.5
Bankers NY	42⅝xd	-1½	46⅛	28⅞	3,421	4.6
Bell Atlantic	34⅛	—	34⅝	23⅛	14,881	4.8
BellSouth	35	—	35½	25	17,278	5.0
Bethlehem Steel ♥	12⅛xd	-⅛	12½	6¾	1,097	-
Bowater	1372pxd	—	1637p	905p	497.2	6.6
CPC h	30¾xd	-¼	34	22⅞	4,581	2.5
Cadiz Land Inc ♥	115p	—	342p	108p	-	-
California Engy	1358p	—	1386p	591p	246.9	-
Chase Manhattan	19¾xd	-⅛	19⅝	9⅛	2,938	4.0
Chrysler	25⅝xd	-⅜	25⅞	8¾	7,504	1.5
Citicorp	16⅞xd	-⅛	17	6⅛	6,854	-
Colgate-Palm	35⅝xd	-⅜	40⅛	25¼	5,708	2.2
Cont'l Bank	1452p	—	1452p	498p	1,467	2.6
Dana	31⅞xd	-¼	32⅞	14⅞	1,435	3.2
Data General	754p	—	1094p	384p	208.1	-
Decora Inds ♥	146p	—	146p	66p	-	-
Dun & Brad	38¼	—	38⅝	27⅞	8,984	3.7
Exxon	50⅝	—	54½	32½	1,780	2.7
Echlin	16⅞xd	-¼	16⅝	7⅛	909.8	2.8
FPL	23⅝xd	-⅜	24⅞	17⅞	4,292	6.6
Ford Motor	30¾xd	-½	31⅛	15	15,009	2.0
Gen Elect	54⅞xd	-½	57⅞	36¼	46,491	2.9
General Host ♥	610p	—	611p	360p	—	3.7
Gillette	35⅞xd	-⅜	40	21⅞	7,704	1.3
Hasbro	20⅞	—	23½	12⅛	1,816	0.6
Honeywell h	20⅞	-¼	22⅞	18	2,861	2.7
Houston Inds	30⅛	—	30⅞	22	3,934	6.2
IBM	32⅞	+2⅛	54½	29⅞	18,757	4.2
Ingersoll-Rand	20¾xd	-¼	21⅝	12⅞	2,167	2.1
Lockheed	36⅛	—	27¼	22⅞	2,210	3.7
Loew's h	1740p	—	1756p	615½p	1,269	1.6
Merrill Lynch	43½xd	-¼	43⅝	24⅛	4,457	1.7
Morgan (JP)	38¾xd	-⅜	43⅞	28⅞	7,368	3.9
Morris (Philip)	46⅞xd	-⅜	52¾	37⅞	42,838	2.3
NYNEX	54¼	—	56⅞	39⅛	11,289	5.3
Pall	13⅝xd	—	15	7⅞	1,517	1.5
Pennzoil	33⅞xd	+⅞	38⅞	23⅛	1,344	5.7
Quaker Oats	48⅝xd	-⅜	48⅝	28	2,947	3.9
Rockwell	19¾xd	-⅜	19¾	11½	4,222	3.0
Rep NY	30¾xd	-⅛	21⅞	20⅞	1,909	2.2
Sears, Roebuck	32⅞xd	+⅞	32⅞	19¾	11,268	3.9
Sthwestern Bell	46¼	—	49⅛	31⅛	14,008	3.9
Sun Co	18	+⅛	18¼	12⅞	1,913	6.4
Tenneco	28⅞xd	-⅜	27¼	16½	3,391	6.6
Texaco	38¾xd	+⅜	40¼	30⅞	9,895	5.3
Time Warner h	20⅞xd	-⅜	21½	11½	7,639	6.6
UniTab ♥	490p	—	587p	320p	294.9	-
URS Intl. 1c ♥	9½p	—	1¼p	0¾p	1.61	-
US West	24¾	—	25¼	18¼	10,231	5.4
Varity	1821p	—	1861p	632p	650.7	-
Waste Manage	24⅞xd	-⅛	28⅞	16⅞	12,194	1.3
Whirlpool	2944pxd	—	3021p	1706p	2,057	2.4
Woolworth ♥	18⅞	+¼	23	13¼	2,434	3.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

TELEPHONE NETWORKS

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
BT	‡†□	389	+11½	418½	305	24,898	4.8	14.6
New (partly-paid)	†□	284	+11½	318	312	6,294	4.8	14.6
Cable & Wire	†□	729	+15	731	489	7,889	2.4	22.4
7pc Cv Ln '08		£187	+5½	£189½	£130½	585.7	3.7	–
Gt Gt Nordic		£33½	—	*£33½	£24¼	114.2	3.2	–
Hawthorn Leslie	✻□	4	—	4½	1	7.58	–	–
Nth Telecom $		£28½	—	£28½	£17	6,559	0.9	–
Securicor	♣	909	—	980	649	40.7	0.4	ϕ
A N/V	□	659	+2	669	489	530.7	6.8	ϕ
Security Servs	□	655	+1	959	367	608.4	1.2	ϕ
Vodafone	†♣□	394	+5	434	285	3,959	2.0	19.3

TEXTILES

SOUTH AFRICANS

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£8⅞	+⅛	£14⅝	27½	481.0	6.4	5.3
Barlow Rand		£9⅞	+1/16	£10¾	£5½	1,213	8.1	9.2
Gold Flds Prop		64	—	118	46	5.52	22.5	ϕ
New Klein Prop	h	89	—	89	52½	3.42	17.8	3.2
OK Bazaars	‡	21	—	183	71	91.6	‡	–
SASOL	♥	245	+5	345	195	1,389	7.8	ϕ
SA Brews		760	–20	1029	665	4,140	3.5	ϕ
Tiger Oats		635	–8	737	512	653.3	2.7	ϕ
Tongaat-Hulett		236	—	409	187	191.2	3.7	5.7

PLANTATIONS

	Notes	Price	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East	Z	36	—	*39	33	19.3	1.4
Bertam		88	+3	89	50	17.8	4.9
Cons Plants MS		48	—	54	30	345.6	7.4
Golden Hope MS		42	—	*48	29½	441.0	5.7
Highlands MS		27	—	01	20	81.6	16.8
Kuala Kepong MS		80	—	08	64	403.9	4.7
Rowe Evans		45	—	48	32	17.3	3.0
Teas							
Moran		133W	—	135	128	6.93	1.0
Williamson		909½	—	1080	575	19.3	4.5

MINES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
▪ Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
ϕ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
# Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
European	3	102 50	103.00	108 40	+0 10	1 74
Intl Bond & Conv	3	120 00	120 20	126.50	-0 10	5 71
Pooled Pension ♣	7	145 7	147 6	137 9		
Smaller Cos	5	58 24	60 06	63.22	+0 13	2 15
UK General	5	113 60	115 20	121 30	+0.30	2.96
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	381.14	381 14	404 01	+6 03	5.10
Global Inc	3	54 92	54 92	58 22	+0.66	4 17
Brit Leaders	5	315.46	315 46	334.39	+6 39	3 06
Intl Leaders	5	175.86	175 86	186 41	+2 12	1.76
F&C Max Bal Gwth Inc ♦	3½	50 71	52 04	34.07	-0 25	3 14
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	48 43	48.51	51 61	-0.45	1 62
Far Eastern Tst	6	52.38	53 03	56.41	-0.50	0.89
Smaller Cos	3	129 6	134 4	143 0	+0 2	2 97
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ♣	5	260 8	261 3	276 5	-4.9	1 06
S & W Capital	5	109 2	109.2	117.0	-0 90	2 47
S & W Cash ♣	0	102.12	102 12	102.12	+0 04	6 59
S & W European	5	106 2	106 3	112 4	-2 0	1 95
S & W Far Eastern	5	103 5	106 6	112.8	-2 0	0 00
S & W Growth	5	116.7	110 2	125 1	-0 9	2.16
S & W Income	3	103 8	105 1	111 2	-0.3	5.59
S & W Magnum	5	115 2	113 2	123 5	-0.9	2.30
S & W Smllr Secs	5	277 7	283 1	299 6	-0.4	0 80
S & W Thoroughbred	5	132 8	132 8	142 5	-1.10	2.14
Societe Generale Touche Remnant (1200)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
American Gwth	5½	79 80	79.00			

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	87.21	87.21	89 25	-0.05	0.00
Short Dtd Gilt	1½	107.7	107.7	109 1	-0.20	0 47
U S. Govmt Bond	1½	[illegible]	0 7080	0 7172	[illegible]	0.00
Gilt Income	4	51.01	51.01	53.06		8.30
Gilt Growth	4	63.26	63.26	65.84	-0.09	0.00
City Reserve	0	52.02	52.02	52.02	+0.01	6.42
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	64.64	64.78	68.91	+1.12	2.35

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Jan 20	628.3	648.8		1 07
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	31.13	53.05		4.9
Income Plus	48.66	49 64		7.5
James Capel Fund Managers Ltd				
European Exempt	£104.133	105.434	+0.135	3 17
Japanese Exempt	199.365	100.943	+1 098	
Managed Exempt	£124.079	131.209	+2.189	3.35
North American Exempt	£98.2119	99.8040	+1.914	1.20
Pacific Exempt	£101.012	102.661	+0 911	3 29

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

[illegible]

J Rothschild Assurance PLC

[illegible]

Scottish Provident Institution

[illegible]

Swiss Life (UK) PLC

[illegible]

CMI Insurance Co Ltd-Contd.

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Rudolf Wolff Capital Management Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or –	Yield Gross
John Govett Management (IoM) Ltd				
Dir Geared Cur NAV Jan 22		$16.19	......	–
Paragon Fbn Bnr Jan 4		19.49	..	–
Paragon Stlg Red Jan 4		£21.32	...	–
SE Asian Wt NAV Jan 21		$9.81	...	–
Govett Mgd Ftrs Jan 22	£13.94	13.25	.....	–
Govett Mgd Ftrs Jan 22	$9.85	10.77	.....	–
Max Horizons Inv Jan 21		$15.96	.....	–
Max Horizons Inv Yrs Jan 21		$8.06	.....	–
Dir Geared Bd Jan 22		$7.29	.....	–
IBI Global Funds Limited				
Intl Stlg Gwth	£20.76	21.86	.....	–
Intl $US Gwth	$18.01	18.97	.....	–
High Income Gilt	£25.98	26.93	....	–
International Equity	£21.02	22.14	....	–
International Bond	£22.99	23.84	....	–
Managed Currency	£27.70	27.99	....	–
Sterling Currency	£26.68	26.96	....	–
US$ Currency	$37.86	38.26	.....	–
Irish £ Currency	I£15.53	15.70	.....	–
R & H Fund Managers Ltd				
1 F M Sterling Fd	£11.00	11.30	...	–
B F Offshore Inc Fd Ltd	£11.04	12.08	...	–
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.94	10.33	...	–
Nelson Miles W/W S/S	£10.67	10.92	...	–

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£–21.1508	21.1590	...	–
Managed Capital Bd	5		I£–21.5283	21.5971	...	–
AIB Gradual Currency Fund Limited						
Stlg Mngd Currency	5		£–	11.0144	....	–
Sterling Currency Fd	5		£–	10.6290	....	–
Ecu Currency	5		Ecu–	11.0176	....	–
US Dollar Mngd Curr	5		$–	21.7226	....	–
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£0.861	0.867	0.927	-0.00	0.7
Global Income (Inc)	5¼	£0.515	0.521	0.557	-0.00	3.0
Global Resources	5¼	£0.405	0.410	0.438	.....	0.9

	Bid Price	Offer Price	+ or –	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.451	2.574	..	1.18
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.81	9.85	–0.01	9.54
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Jan 21	$13.20	13.56	...	2.95
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0	...	7.18
UK Equity FG (z)	222.7	237.0	...	2.70
*Intl Bond Fd	97.0	100.0	...	6.87
*Sterling Mngd Asst Fd	538.5	568.0	...	5.00
*Sub. day every Thurs				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38.2849	+0.0026	–
Sterling Class		£27.1257	+0.0043	–
D-Mark Class		DM64.3953	+0.0014	–
Japanese Yen Class		Y7987.6739	+0.6142	–
Ashburton Seplica Portfolio Ltd				
Ashburton Seplica P'folio Ltd £	11.31	11.76	...	–
Ashburton Seplica P'folio Ltd $	$10.49	10.90	...	–
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Jan 14	$34.73	36.93	...	–
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.7811	4.0182	...	–
Offshore Japanese Gwth Fd	$0.9020	0.9586	...	–
Offshore Am Gwth Fd	$6.8056	7.2326	...	–
Offshore Emerging Cos	$4.1643	4.4255	...	–
Offshore European Fd	$1.5118	1.6066	...	–
Offshore Global Bond	$0.9827	1.0237	...	–
Offshore Global Bond Acc	$0.9827	1.0237	...	–
Offshore Far Eastn Fd	$2.3622	2.5103	...	–
Offshore UK Growth Fd	$2.0887	2.2197	...	–
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Jan 22		$4.32	...	–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£15.36	15.59	...	1.43
LFM Defensive Strtgy	£11.25	11.83	...	–
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (x)†	100.50	102.00	+0.50	7.58
International Bond (x)†	$1.141	1.153	+0.004	4.94
†Prices on Jan 20 Next dealing Jan 27.				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.7417	...	5.82

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Growing pessimism on pound

CURRENCY dealers yesterday took a pessimistic view about the immediate future for sterling after the UK unexpectedly cut base rates by 1 percentage point to 6 per cent, *writes James Blitz.*

The pound fell more than 3 pfennigs against the D-Mark in the morning, falling through an important technical support level of DM2.4350 in the wake of the Bank of England's move.

The currency bottomed out at DM2.4200, before closing at DM2.4250 against the D-Mark, down nearly 3 pfennigs on the day. Its losses against the dollar were mitigated by the US currency's weakness. The pound closed in London at $1.5380, down more than 2 cents down on the day.

Dealers said there hed beeo heavy selling of the currency by both banks and institutions, with few operators coming into the market to buy the currency back. There were signs that investmeot funds were oot completely short of sterling, and that selling poteotial remained.

The view that sterling may now test DM2.40 – and perhape the historic low of DM2.3693 set oo October 5 last year – *seemed to be widely* held in the Londoo market.

Mr Mark Austin, an economist at Midland Global Markets, said that there was already a strong expectation of another cut in rates before, or at, the March budget. "Yesterday's move has changed people's perceptions about UK economic policy and we will see sterling lower from here," he said.

Mr Jeremy Hawkins, senior economic adviser at Bank of America, said that the rate cut had actually raised concerns about the UK economy. "There is still no real evidence that the UK economy is recovering," he said.

However, the bearishness about the pound was also due to changing perceptions about the Bundesbank's intentions on short-term rates.

Uotil the beginning of this week, there had beeo speculatioo that the Buodeshaok might ease policy at its council meeting oo February 4th.

But difficulties over the public sector wage talks in Germany has raised fears that the Bundesbank may not ease policy until February 18th.

The rise in the inflation rate in the German state of Baden-Wurttemberg by 1.2 per cent in December – slightly worse than the market had anticipated – added to the bearishness over German policy. Mr Helmut Schlesinger, the Bundesbank President, compounded the gloom by saying that a rise in inflation would prevent a Bundesbank rate cut.

Despite these concerns, the dollar managed to rise nearly ½ a pfennig against the D-Mark to DM1.5770. The French franc also strengthened, closing at FFr3.382 from a previous close of FFr3.385.

However, the eight of 3-mooth French francs at 12⅛ per caot yesterday led ooe dealer to claim that tensions in the European Exchange Rate Mechanism were bubbliog below the surface.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	143.386	138.490	-3.41	3.65	55
Portuguese Escudo	*182.194*	*176.114*	*-3.34*	3.57	51
Dutch Guilder	2.21958	2.20009	-0.88	1.00	26
Belgian Franc	40.6304	40.2784	-0.87	0.99	25
D-Mark	1.96992	1.95613	-0.70	0.82	23
Danish Krone	7.51410	7.52005	0.08	0.03	-20
French Franc	6.60683	6.61282	0.09	0.02	-24
Irish Punt	0.735334	0.736156	0.11	0.00	-21

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan 26	Latest	Previous Close
£ Spot	1.5335-1.5345	1.5570 1.5580
1 month	0.42-0.40pm	0.57 0.55pm
3 months	1.15-1.12pm	1.48 1.45pm
12 months	3.35-3.25pm	4.07 3.97pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 26	Previous
8.30 am	80.5	79.8
9.00 am	80.5	80.0
10.00 am	80.0	79.9
11.00 am	79.7	80.1
Noon	79.6	80.1
1.00 pm	79.5	80.2
2.00 pm	79.5	80.2
3.00 pm	79.5	80.4
4.00 pm	79.5	80.4

CURRENCY RATES

Jan 26	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.899157	0.805691
U.S Dollar	3.00	1.38668	1.24278
Canadian $	7.27	1.77287	1.57833
Austrian Sch	8.25	15.4975	13.7625
Belgian Franc	7.75	45.4103	40.2784
Danish Krone	9.50	8.47677	7.52005
D-Mark	8.25	2.20038	1.95613
Dutch Guilder	7.75	2.46954	2.20009
French Franc	10	7.43052	6.61282
Italian Lira	12.00	N/A	1799.82
Japanese Yen	3.25	173.127	153.297
Norway Krone	-	9.37118	8.30176
Spanish Peseta	-	155.523	138.490
Swedish Krona	11.50	9.89535	8.78768
Swiss Franc	5.50	2.01720	1.79768
Greek Drach	19	N/A	261.692
Irish Punt	-	N/A	0.736156

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Jan.25

CURRENCY MOVEMENTS

Jan 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	79.5	-29.59
U.S Dollar	65.4	-12.20
Canadian Dollar	94.7	-7.91
Austrian Schilling	115.3	+16.75
Belgian Franc	116.2	+2.00
Danish Krone	118.6	+12.09
D-Mark	126.1	+32.22
Swiss Franc	110.6	+18.79
Dutch Guilder	120.0	+21.18
French Franc	110.7	-6.50
Lira	83.2	-32.84
Yen	151.2	+88.15
Peseta	100.8	-23.56

Morgan Guaranty changes average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan.25

OTHER CURRENCIES

Jan 26	£	$
Argentina	1.5410 - 1.5435	1.0000 - 1.0010
Australia	2.2765 - 2.2785	1.4790 - 1.4800
Brazil	23323.0 - 23338.5	15134.0 - 15134.5
Finland	8.1115 - 8.1980	5.2850 - 5.3050
Greece	322.100 - 328.600	208.270 - 212.440
Hong Kong	11.8910 - 11.9035	7.7280 - 7.7290
Iran	2285.00*	1490.00*
Korea(Sth)	1226.30 - 1246.05	791.10 - 797.30
Kuwait	0.46850 - 0.46940	0.30400 - 0.30450
Luxembourg	49.85 - 49.95	32.40 - 32.50
Malaysia	3.9875 - 3.9980	2.5950 - 2.5960
Mexico	4.7740 - 4.7770	3.1020 - 3.1040
N.Zealand	2.9655 - 2.9685	1.9270 - 1.9290
Saudi Ar.	5.7665 - 5.7780	3.7495 - 3.7505
Singapore	2.5115 - 2.5210	1.6350 - 1.6360
S.Af (Cm)	4.6940 - 4.7045	3.0630 - 3.0650
S.Af (Fn)	7.3635 - 7.4175	4.7845 - 4.8195
Taiwan	39.00 - 39.13	25.35 - 25.45
U.A.E.	5.6445 - 5.6575	3.6715 - 3.6735

*Floating rate. Iran Official rate £99.95 $66.00

POUND SPOT - FORWARD AGAINST THE POUND

Jan 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5325 - 1.5615	1.5375 - 1.5385	0.42-0.40cpm	3.20	1.16-1.13pm	2.98
Canada	1.9520 - 1.9875	1.9560 - 1.9570	0.07-0.15cdis	-0.67	0.02-0.28dis	-0.31
Netherlands	2.7225 - 2.7650	2.7225 - 2.7325	½-⅝cdis	-2.20	1¼-1½dis	-1.92
Belgium	49.85 - 50.60	49.85 - 49.95	8-13cdis	-2.53	22-29dis	-2.04
Denmark	9.3075 - 9.4400	9.3200 - 9.3300	3¼-4¼oredis	-5.15	9½-12dis	-4.61
Ireland	0.9110 - 0.9260	0.9150 - 0.9160	1.30-1.00cpm	15.07	2.80-2.08pm	10.66
Germany	2.4200 - 2.4575	2.4225 - 2.4275	½-⅝pfdis	-2.47	1¼-1½dis	-2.27
Portugal	217.50 - 221.50	218.50 - 219.50	105-115cdis	-6.03	348-372dis	-6.58
Spain	171.40 - 174.00	171.85 - 172.15	99-110cdis	-7.29	305-318dis	-7.24
Italy	2226.00 - 2259.25	2232.00 - 2233.00	9-12liredis	-5.64	31-35dis	-5.91
Norway	10.2775 - 10.4500	10.3125 - 10.3225	2⅛-4oredis	-3.93	8⅞-11¼dis	-3.90
France	8.1850 - 8.3075	8.1975 - 8.2075	3½-4¼cdis	-5.94	11¼-12⅝dis	-5.73
Sweden	10.8750 - 11.0200	10.8775 - 10.8875	2¼-4⅞oredis	-4.20	9¼-11¼dis	-3.88
Japan	189.75 - 193.25	189.75 - 190.75	½-⅜ypm	2.76	1½-1¼pm	2.63
Austria	17.01 - 17.24	17.07 - 17.10	1⅞-3¼grodis	-1.80	6¾-8¼dis	-1.83
Switzerland	2.2250 - 2.2600	2.2300 - 2.2400	⅛-parcpm	0.67	½-¼pm	0.67
Ecu	1.2345 - 1.2525	1.2380 - 1.2390	0.31-0.35cdis	-3.20	0.99-1.06dis	-3.31

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.07-2.02pm, 12 Month 3.30-3.20pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5325 - 1.5615	1.5375 - 1.5385	0.42-0.40cpm	3.20	1.16-1.13pm	2.98
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years 6¼-[illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan 26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.538	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.	[illegible]	[illegible]
Pta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%: [illegible]

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100%: [illegible]

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%: [illegible]

LIFFE EUROMARK OPTIONS DM1m points of 100%: [illegible]

LIFFE ITALIAN GOVT. BOND (BTP) OPTIONS Lire 200m 100ths of 100%: [illegible]

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%: [illegible]

LONDON (LIFFE)

NOTIONAL BRITISH GILT £50,000 32nds of 100%: [illegible]

US TREASURY BONDS $100,000 32nds of 100%: [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%: [illegible]

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BONDS (BOBL) DM250,000 100ths of 100%: [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%: [illegible]

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100%: [illegible]

THREE MONTH STERLING £500,000 points of 100%: [illegible]

THREE MONTH EURODOLLAR $1m points of 100%: [illegible]

THREE MONTH EUROMARK DM 1m points of 100%: [illegible]

THREE MONTH ECU ECU 1m points of 100%: [illegible]

THREE MONTH EURO SWISS FRANC SFr 1m points of 100%: [illegible]

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100%: [illegible]

FT-SE 100 INDEX £25 per full index point: [illegible]

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5380	1.5339	1.5266	1.5176	1.5055

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%: [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100: [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM: [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%: [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%: [illegible]

BRITISH POUND (IMM) $ per £: [illegible]

STANDARD & POORS 500 INDEX $500 times index: [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr: [illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1): [illegible]

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES: [illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris Interbank offered rate): [illegible]

CAC-40 FUTURES (MATIF) Stock Index: [illegible]

ECU BOND (MATIF): [illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF): [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Northern Bank Ltd	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
•Henry Ansbacher	6	Exeter Bank Limited	6	•Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	6	Roxburghe Bank Ltd	6
Bank of Baroda	6	•Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	•Smith & Williamson Secs	6
Bank of Cyprus	6	•Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	•Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Hampshire Trust Plc	13.5	•United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	•Hill Samuel	6	Western Trust	6
•Brown Shipley	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	•Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk	6		
Credit Lyonnais	6	Midland Bank	6		

• Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,061 Set by DINMUTZ

ACROSS
1 "Syncopated Music" – Maigret mystery (7)
5 Heavy drinker cast on grass (7)
9 Freewheel in the Strand, say? (9)
10 What can induce a blissful state? Foreign region can! (9)
11 Note Whistler produced once (9)
12 Guide, one of sanctimonious number (5)
13 Army sergeant-major gets a grip of conflict (5)
15 Letter-opener? (9)
18 Short breaks for swimmers round about (9)
19 Change of underskirt (5)
21 Chap to leave fruit (5)
23 Tidy home in cowshed (9)
25 Drink strong ale as champion (9)
26 Good swimmer and a slow bowler (5)
27 Laconic wit required of 22? (7)
28 Lower rate, perhaps, of mosquitoes and the like (7)

DOWN
1 Deficiency disease of insects with no carbon (7)
2 Waterford wanch in dicey wager (9)
3 Taking an interest in women in one's charge (2,3)
4 Talking-bird in flower is knockout, we hear (9)
5 Future, for example, is worrying (5)
6 Sunday excursionists to see exotic dancers (9)
7 List of patients from plane crash (5)
8 The rate of exchange in Whitehall, for example (7)
14 It helps bartenders with correct measures (9)
16 Girl's outlawed, not allowed in court (9)
17 To lay down makes it pulsate! (9)
18 Clio, say, in gardeo-plot is bewildered (7)
20 Saint yonder 'as retired (7)
22 Downy diaper (5)
23 Observes face, for example (5)
24 Tricked at university, brought to court (5)

Solution to Puzzle No.8,060

MONEY MARKETS

More cuts expected

STERLING cash and futures markets were yesterday discounting another easing in UK monetary policy by the summer, after the Bank of England signalled a cut in base rates from 7 per cent to 6 per cent, *writes James Blitz.*

Sterling money market dealers were surprised by both the scale and timing of yesterday's move. Instead of signalling a base rate cut to dealers in the course of its operations, the Bank had to take the unusual move of posting a Minimum Lending Rate at the start of the day.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Few dealers had been planning to offer bills to the Bank at rates below 7 per cent base rate; and the lack of bills in the market, the product of substantial cash shortages in recent days, would have made the subtle signalling of policy technically difficult to accomplish.

Although UK base rates are now at their lowest level since 1977, dealers were betting on more cuts this year.

There was a sloping yield curve in the cash market last night, with 3-month money closing at 6¼ per cent and the 1-year rate at 6 per cent exactly.

Futures dealers appeared initially uncertain whether any more cuts would come before the March budget. The March contract closed at 94.08, a level that prices 3-month money at 5.92 per cent.

However, dealers in the June contract clearly believed that there will be a 50 basis point cut in rates by the summer. The contract closed at 94.27, a level that prices 3-month money in June at 5.63 per cent.

One institution was willing to bet that base rates would fall substantially further this year. A dealer was reported to have bought an option to lend £250m for 3 months in September at 5 per cent.

The tone of trading in the cash market should now improve. Few dealers expect a policy ease immediately, and bills should be sold more readily to the Bank. The overnight rate closed yesterday at 6⅞ per cent, despite a big shortage of £1.4bn.

One dealer suggested yesterday that, with base rate at such low levels, it will be harder to push wholesale cash rates down. He said that depositors in the retail sector were moving out of cash deposits into gilts. This makes the banks increasingly reliant on wholesale trading to fund their books, and creates a greater demand for funds.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.26) 3 months US dollars: bid 3⅛, offer 3¼. 6 months US Dollars: bid 3¼, offer 3⅜.

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds	
Prime rate	6	One month	2.77
Broker loan rate	[illegible]	Two month	2.92
Fed.funds	3	Three month	2.97
Fed.funds at intervention	[illegible]	Six month	3.17
		One year	[illegible]
		Two year	[illegible]
		Three year	4.71
		Five year	5.70
		10-year	[illegible]
		30-year	7.22

Jan 26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 5¾ per cent; three months 5½ per cent; six months 5¾ per cent; Bank Bills (sell): one-month 5⅞ per cent; three months 5¾ per cent; Treasury Bills: Average tender rate of discount 6.1067 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1992. Agreed rates for period January 26, 1993 to February 23, 1993, Scheme I: 8.38 p.c., Schemes II & III: 8.50 p.c. Reference rate for period December 1, 1992 to December 31, 1992, Scheme IV&V: 7.232 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from January 1, 1993: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 5½ per cent; one-three months 6 per cent; three-six months 5½ per cent; six-nine months 5 per cent; nine-twelve months 5 per cent; Under £100 000 3½ per cent from Mar 16, 1992. Deposits withdrawn for cash 1¼ per cent.

WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Jan 25	Jan 22	Jan 21	Jan 20	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3292.20	3256.81	3253.02	3241.95	3413.21 (1/6/92)	3136.58 (9/10/92)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	104.30	104.06	104.00	103.94	104.00 (21/1/93)	98.41 (20/3/92)	104.00 (21/1/93)	54.99 (1/10/81)
Transport	1478.21	1483.05	1490.70	1500.57	1520.11 (18/1/93)	1204.40 (26/8/92)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	224.52	223.08	223.77	222.08	225.59 (3/1/92)	200.74 (8/4/92)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3324.89 (3292.70) Low 3243.84 (3225.70) (Theoretical)
Day's High 3294.36 (3267.34) Low 3256.81 (3250.32) (Actual)

STANDARD AND POOR'S

	Jan 25	Jan 22	Jan 21	Jan 20	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	440.01	436.11	435.49	433.37	441.28 (18/12/92)	394.50 (8/4/92)	441.28 (18/12/92)	4.40 (1/6/32)
Industrials	509.93	504.42	503.59	501.19	515.75 (18/12/92)	470.91 (8/4/92)	515.75 (18/12/92)	3.62 (21/6/32)
Financial	42.19	41.99	41.98	42.00	42.27 (19/1/93)	32.40 (8/4/92)	42.27 (19/1/93)	8.64 (1/10/74)
NYSE Composite	242.47	240.41	239.82	238.89	242.47 (25/1/93)	217.92 (8/4/92)	242.47 (25/1/93)	4.46 (25/4/42)
Amex Mkt. Value	409.52	406.36	405.58	405.21	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	706.95	701.63	700.77	697.44	706.95 (25/1/93)	547.84 (26/6/92)	706.95 (25/1/93)	54.87 (31/10/72)

	Jan 22	Jan 15	Jan 8	year ago (approx.)
Dow Industrial Div. Yield	3.18	3.17	3.19	2.87

	Jan 20	Jan 13	Jan 6	year ago (approx.)
S & P Industrial div. yield	2.60	2.59	2.58	2.78
S & P Indl. P/E ratio	26.62	26.70	26.85	23.24

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
LTV Corp	7,849,200	1/8	- 1/16
Ark Ind	5,643,400	3 3/8	+ 1/8
Tucson El	5,439,100	3 3/8	+ 1/4
Amer Express	4,917,800	25 1/8	....
Wal-Mart	4,678,300	64 3/4	+ 1 1/8
Global Marine	4,019,400	2 7/8	+ 1/2
Navistar	3,891,300	2 7/8	+ 1/2
Eastman Kodak	3,351,000	50	+ 1 1/8
Amer T & T	3,116,000	52 1/4	- 1 1/8
IBM	3,053,900	49	+ 1/4

TRADING ACTIVITY

† Volume (Millions)	Jan 25	Jan 22	Jan 21
New York SE	283.711	294.470	257.350
Amex	19.731	18.757	17.029
NASDAQ	264.590	239.812	(u)
NYSE			
Issues Traded	2,448	2,435	2,425
Rises	1,347	1,089	1,018
Falls	636	772	795
Unchanged	465	574	612
New Highs	197	150	111
New Lows	14	12	17

CANADA TORONTO

	Jan 26	Jan 22	Jan 21	Jan 20	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2799.27	2777.67	2743.31	2745.51	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3295.60	3275.97	3275.80	3290.14	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1735.67	1725.40	1720.97	1727.04	1937.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

International indices

	Jan 26	Jan 25	Jan 22	Jan 21	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1529.2	1523.4	1523.0	1519.1	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	595.9	592.4	589.6	590.6	736.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	311.59	306.69	307.49	306.90	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	743.71	728.19	730.97	732.40	1099.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1178.30	1169.45	1172.32	1164.41	1236.40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	279.63	279.34	278.84	278.14	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	866.6	856.4	843.1	855.7	935.90 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	475.57	481.25	479.16	477.52	555.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1792.55	1779.90	1820.42	1812.18	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	616.27	617.50	622.10	618.01	725.26 (26/5/92)	565.61 (12/10/92)
Commerzbank (1/12/53)	1746.5	1750.5	1763.9	1752.6	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1576.16	1569.24	1587.64	1573.67	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5923.73	(c)	(c)	5914.39	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1222.12	1231.39	1239.59	1234.45	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	473.09	472.09	481.62	487.60	551.59 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1045.0	1042.0	1064.0	1077.0	1078.00 (19/1/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	16492.63	16287.45	16336.81	16538.68	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1256.91	1250.86	1256.70	1264.66	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1651.72	1666.35	1666.15	1668.87	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	626.34	(c)	(c)	625.93	660.35 (5/12/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	297.8	297.1	298.6	299.2	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	200.4	200.0	200.9	201.3	215.50 (26/5/92)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	673.90	677.39	688.87	686.11	772.74 (18/5/92)	532.43 (25/9/92)
PHILIPPINES						
Manila Comp (2/1/85)	1317.31	1340.14	1341.47	1331.24	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	404.31	(c)	402.54	402.01	416.99 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	839.0♦	809.0	820.0	796.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4508.0♦	4518.0	4535.0	4519.0	4689.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	702.50	707.61	(c)	699.92	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	233.23	230.10	232.18	234.09	266.51 (28/2/92)	179.40 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	896.2	892.4	912.9	927.20	1014.50 (11/5/92)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	922.1	921.3	929.5	924.3	938.10 (5/1/93)	748.50 (8/1/92)
SBC General (1/4/87)	701.8	699.1	704.0	699.8	704.00 (22/1/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	(c)	(c)	(c)	3420.62	5391.63 (30/1/92)	3088.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	987.97	998.44	979.70	965.34	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	499.6*	497.3	492.8	492.8	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	882.93	874.54	882.56	883.28	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday January 23. Taiwan Weighted Price (c), Korea Comp Ex. (c).
♦ Subject to official recalculation.
*Calculated at 15.00 GMT

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Tuesday, 26 January, 1993

	Stocks Traded	Closing Prices	Change on day
Isuzu Motor	5.8m	348	+3
Nippon Jutaku	4.7m	288	-13
Green Cross	4.2m	1,130	
NEC Corporation	3.4m	809	-1
Meiji Milk Prod	3.4m	812	+12
Tokyo Tokeiba	3.1m	503	+3
Hitachi	2.2m	695	+2
Mitsubishi Heavy	1.9m	500	-2
NKK	1.9m	237	
Mitsui Min & Sml	1.7m	445	-3

3 pm January 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992–93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	10¾	AAR Corp x	0.48	4.0	22	249	12¼	12	12⅛	+0.24
30⅜	16	A L Labs A	0.16	0.7	187	622	27¼	26	26⅞	+1½
68¾	52⅜	AMP Inc	1.60	2.7	21	3547	66¾	66½	60⅜	−½
60¼	54¾	AMR				107269	26½	54¼	34¾	
2⅝	1⅜	ARX			18	10	2	2	2	+⅛
53⅝	26⅞	ASA	2.00	6.3	21	679	31¾	21¾	31¾	+1
64¼	26¾	Abbott Lab	0.60	2.2		166091	26¾	27½	27¾	−⅝
12⅞	10⅛	Abitibi Pr	0.60	4.4	4	2	11¼	11¼	11¼	+⅛
11⅝	10½	ACM Gvt In	0.36	3.2		1436	11¼	11	11½	
10⅝	9	ACM GvOpp	1.21	13.1		23	9¼	8⅝	9¼	
8½	8½	ACM Gvt Sp	0.65	0.8		253	9¼	9⅝	0¼	
11¾	0⅞	ACM Gvt Se x	0.96	8.8		365	10⅞	16⅜	10⅞	+¼
10⅝	6⅝	ACM Man	1.16	12.1		145	8⅞	8½	0¾	
12⅞	8⅝	ACM Managd	0.76	6.5		226	9¼	8⅜	8⅜	+⅜
11¾	4¾	Acme Cleve	0.48	4.6	16	174	8¾	8⅝	8⅝	+⅛
8⅞	3¼	Acme Elect			175	79	8½	8½	6¾	
33¼	13⅜	Acuson			101	130	14½	14¼	14¼	−¼
21	18¾	Adams Expr	0.46	2.4	1	261	10⅞	18¾	19⅞	
49⅜	26½	Ad Micro	3.00	6.2		67	48⅜	47¾	47⅞	+¼
21⅛	7½	Ad Micro P	2.00	13.3		74096	26	19⅜	16⅛	−⅝
0½	4⅞	Advest Grp	0.16	2.4	14	163	6⅞	6½	0¾	
44⅞	33	Aegon ADR	1.35	3.0	6	192	u45¼	44½	44¾	−⅛
28¾	38	Aetna Lf x	2.76	5.6	14	727	28	49½	49⅜	−¼
14½	6⅜	Aflfl A	0.24	1.7	10	793	13⅞	13⅜	12¾	+⅜
36¾	24	Allec	0.44	1.2	12	1636	34½	88¼	34⅜	+½

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992-93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
70½	28⅝	Xtra Corp	0.80	1.1	18	328	u70½	69	70⅛	+1⅛
30⅞	28¼	Yankee Egy	1.69	5.8	13	49	30	29⅞	29⅞	-⅛
1⅝	⅝	Zapata			43	183	⅞	13/16	⅞	+1/16
11⅛	6	ZenithElec			2	235	8½	8	8⅝	
22	14½	Zenith Nat a	1.80	4.5	10	441	u22	21⅞	22	+⅛
7½	6	Zenix Inc a	0.82	11.7		142	7⅛	7	7	-½
14¾	10	Zero Corp	0.40	3.0	19	261	13½	13⅝	13⅞	+½
40¼	27⅛	Zurn Ind	0.88	2.3	41	493	36¼	37⅞	38	-⅜
14⅝	12	Zweig Fund	1.44	11.2		149	13	12⅞	12⅞	-½
11	9½	Zweig Totl	0.88	0.3		220	10½	10⅜	10⅝	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s) b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm January 26

NASDAQ NATIONAL MARKET

3 pm January 26

INTERNATIONAL TAXATION

The FT proposes to publish this survey on **February 18 1993**. Should you be interested in acquiring more information about this survey or wish to advertise in this feature, please contact: Sara Mason

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Fax: 071-873 3064

FT SURVEYS

FINANCIAL TIMES

Wednesday January 27 1993

AMERICA

IBM dividend news boosts US markets

Wall Street

US stock markets posted fresh gains yesterday, buoyed by IBM's decision to cut its dividend, hopes of lower interest rates in Europe, and good news on domestic house sales, *writes Patrick Horverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 18.65 at 3,310.85. The more broadly based Standard & Poor's 500 was 2.08 firmer at 442.09, while the Amex composite was up 2.13 411.65, and the Nasdaq composite improved 3.19 at 710.14.

Trading volume on the NYSE was 187m shares by 1 pm, and rises outnumbered declines by almost two to one.

Following Monday's big advance, analysts would not have been surprised if the markets paused to consolidate its gains yesterday. Prices, however, firmed from the opening, helped by a number of positive factors.

Overnight news of a cut in UK interest rates was greeted warmly. Economists in the US said they hoped the cut might persuade the Bundesbank to lower German interest rates, which would be good for European economies as a whole and boost demand for US exports to the region.

Domestically news of a 5 per cent rise in December existing home sales also lifted sentiment, as did IBM's decision to cut its quarterly dividend by more than half. The market, which has been waiting for IBM to move on its dividend for weeks, was also pleased by the announcement that the group had begun a search for a new chief executive to replace the much-criticised Mr John Akers.

IBM shares added more than $3 in early trading, before falling back later. By early afternoon it was quoted at $50¼, up $1⅞ on the day, in volume of 4.5m shares.

Other leading stocks were boosted by news of strong earnings. Walt Disney rose $1¾ to $45⅝ in busy trading after the entertainment group announced late on Monday fiscal first quarter profits of $260m, or 48 cents a share, well up on the $208m, or 39 cents a share, earned at the same stage a year ago.

BankAmerica was also higher following quarterly results and its shares rose $1⅞ to $53¼ after the banking group announced that fourth quarter net income totalled $473m, about the same as in the previous quarter. Analysts said that while the earnings were in line with expectations, the market was pleasantly surprised by the small increase in intangible assets during the quarter.

American Express bucked the market-wide trend, falling $1⅞ to $23⅞ in volume of 4.7m shares as investors registered their disappointment at the news that Mr James Robinson was staying on as chairman of the troubled travel and financial services group.

Amex shares had risen in recent weeks on hopes that Mr Robinson would soon be replaced.

Merck fell $1¼ to $40⅛ in heavy trading after the big drug group announced slightly disappointing fourth quarter results.

Canada

TORONTO showed sharp gains at midday, led by Northern Telecom on better than expected fourth quarter earnings. Nortel jumped C$3½ to C$57⅞ in volume of some 1m shares while BCE, which has a 52.6 per cent stake, rose C$¾ to C$34½.

The TSE-300 index rose 25.4 to 3,321.1 in volume of 26.5m shares valued at C$331m. Advances led declines by 287 to 212 with 244 unchanged.

Gold futures, which rose $2.40, bolstered American Barrick, which rose C$⅞ to C$36¾ and Placer Dome, up C$½ to C$16½. MacMillan Bloedel slipped C$¼ to C$17¼.

SOUTH AFRICA

GOLD shares rallied sharply towards the close as the price of bullion rose above $330 an ounce. The gold index put on 30, or 3.7 per cent, at 839, while industrials recovered some earlier losses to close a net 10 down at 4,508. The overall index gained 6 at 3,405. Vaal Reefs added R6 at R149 and Kloof rose R1.25 to R27.

EUROPE

Cut in UK base rates lifts continent

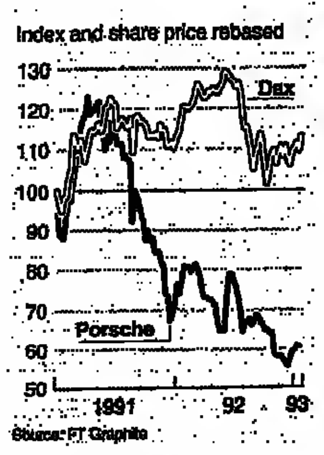
THE cut in UK base rates lifted many continental markets, *writes Our Markets Staff.*

FRANKFURT saw further bad news in the car sector depress prices but overall the market was firmer and the DAX index closed 6.92 higher at 1,576.16. Turnover rose to DM5.4bn from DM4.3bn.

Porsche, down DM24 at DM440, announced a loss of nearly DM66m for 1991-92 and said that it would make substantial job cuts.

James Capel in London comments that the results "underline the parlous state of the luxury sports car segment and, in particular, the loss of competitiveness on the part of the company due to a weak model range, poor productivity and the adverse effect of the strength of the DM". Recommending a sell, the brokers welcome the appointment of Mr Helmut Sihler as head of the supervisory board but believe that it is too early to buy for recovery.

BMW added to Monday's declines with a fall of DM4.50 to DM497, but Daimler, helped by good sales figures for Mercedes models, gained a modest 30 pfg to DM573. Volkswagen slipped 70 pfg to DM272.30.



Source: FT Graphite

Elsewhere Siemens put on DM8.50 to DM607.70 after announcing new orders.

PARIS featured Euro Disney which rose FFr2.70 or 4.3 per cent to FFr67.20 on rumours that a US broker had upgraded the stock. The shares had earlier fallen to a day's low of FFr63.20 after the company reported a loss of FFr492m in the first quarter of fiscal 1992-93.

The CAC-40 index closed 12.60 higher at 1,792.55 in turnover of some FFr2.4bn.

Elf came in with a 36 per cent fall in 1992 net profit which was better-than-expected and the shares closed FFr6.40 higher at FFr330.70, while Total improved FFr5.50 to FFr223.50.

Matra-Hachette eased FFr7.40 or 7.4 per cent to FFr92.00 with some 3.2m shares traded on arbitrage related activity.

MILAN finished a mixed session firmer after inflation indicators for January lifted hopes of a discount rate cut. The Comit index added 1.0 to 473.09.

Firmer banks and insurers took their lead from a strong performance by Generali which rose L60 to fix at L32,600 before spurting to L33,550 after hours amid domestic demand from regional retail banks.

Fiat, widely expected to post an operating loss for 1992 later this week, still managed a L9 advance to L4,295 at the fix before putting on a further L7 in late business.

Rinascente rose L270 to fix at L7,735 before moving on up to L7,750 amid renewed speculation that it may be sold by parent group Fiat. Montedison dipped a further L35 to L1,181. It faces a demand for compensation by state energy group ENI over a former joint venture.

ZURICH was mixed in fairly active trade. The SMI index eased 1.1 to 2,084.3. Insurers had a firm session on a view that the sector had recently been neglected. Participation certificates in Winterthur Insurance, SFr18 higher at SFr596, topped the active list.

Nestlé lost SFr15 to SFr1,065 amid market rumours that it might be planning a capital increase soon. After the stock market closed, the company reported a rise in consolidated sales for 1992 that was in line with, or slightly below, most analysts' expectations.

SMH rose SFr40 to SFr1,525 when new buying set in after recent declines.

AMSTERDAM eased, while Daf's scheduled announcement of its restructuring package was postponed. The CBS Tendency index lost 0.3 to 97.7 with many issues affected by the weaker dollar.

Royal Dutch went against the trend with a Fl 1.20 rise to Fl 144.80. Hoogovens, flat at Fl 25.40, announced after the close that it would be increasing steel prices by up to 15 per cent from April.

MADRID improved in late trading encouraged by a firmer bond market and the general index rose 3.13 to 233.23 in turnover of Pta17bn. Endesa rose Pta100 to Pta4,085.

STOCKHOLM came back from early lower levels but the momentum faded in late trade. The Affärsvärlden rose 3.8 to 896.2 in heavy trading.

The forestry sector turned lower after Stora announced a preliminary 1992 loss of SKr1.4bn. Stora's B-shares closed SKr7 down at SKr263.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

January 26 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1077.93	1079.55	1080.84	1082.73	1084.45	1085.58	1084.91	1084.24
FT-SE Eurotrack 200	1151.29	1155.02	1155.75	1157.57	1157.77	1157.18	1157.83	1156.52

	Jan 25	Jan 22	Jan 21	Jan 20	Jan 19
FT-SE Eurotrack 100	1077.68	1091.64	1091.44	1091.84	1090.81
FT-SE Eurotrack 200	1146.87	1156.91	1154.96	1153.29	1155.89

Base value 1000 (26/10/90) Highday: 100 - 1085.43; 200 - 1161.02 Lowday: 100 - 1077.91 200 - 1150.40.

ASIA PACIFIC

Nikkei average recovers 1.2% to 16,492

Tokyo

COMMENTS BY leading politicians advocating government support for the market, and renewed hopes of an imminent cut in the official discount rate, prompted short-covering and shares rose for the first time in three trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 205.18 at 16,492.63, its first rise of more than 200 points since December 18.

The index fluctuated between 16,216.11 and 16,535.47, jumping near the end of the session before losing some gains on profit-taking.

Volume increased to 200m shares from 175m. Advances led falls by 672 to 364, with 187 issues unchanged. The Topix index of all first section stocks improved 5.85 to 1,255.91, but in London the ISE/Nikkei 50 index eased 2.17 to 1,016.24.

Calls by Mr Yoshiro Mori, the minister of international trade and industry, for government support for the weak stock market boosted sentiment, along with comments by Mr Kiichi Miyazawa, the prime minister, who hinted at the possibility of public support for the land purchasing organisation set up today for the country's ailing banks.

Some retail issues held by Shuwa, the troubled stock and land speculator, gained ground. The stocks recently met heavy selling on reports that Shuwa, which is squeezed for cash, was looking for buyers of the stocks. Isetan, the department store, rebounded Y110 to Y1,920. Nagasakiya rose Y47 to Y805 and Matsuzakaya Y42 to Y992.

Oil issues were in favour on an overnight surge in the oil sector on Wall Street, due to growing expectations of output reductions by Opec members.

Nippon Housing Loan, burdened with mounting bad loans, fell Y13 to Y266 on reports of a Y60bn annual loss.

On the over-the-counter market, NMB Semiconductor, affiliate of Minebea, lost Y100,000 to Y658,000, falling by its daily limit for the third consecutive session. Minebea and Nippon Steel are in negotiations over the transfer of NMB, and the Japan Securities Dealers Association is investigating possible insider trading of NMB shares prior to the announcement.

In Osaka, the OSE average firmed 45.72 to 17,805.77 in volume of 44.3m shares.

Roundup

PACIFIC Rim markets were mixed yesterday.

HONG KONG returned from the long holiday weekend, but after some early buying prices gave up much of the advance to leave the Hang Seng index a net 9.34 up at 5,923.73, after touching 5,970. Turnover of HK$2.09bn was down from last Thursday's HK$2.34bn.

HSBC was the most active stock, rising HK$2 to HK$82 in line with sharp advances in London in recent days.

AWT World Transport said its public offer of 38.15m shares at HK$1.02 each was more than 81 times oversubscribed.

AUSTRALIAN shares held on to early gains to close slightly higher in scattered trade which was hampered by the Australia Day holiday. But the crossing of two large portfolios in London brought sharp movements in transport leader Brambles. The All Ordinaries index added 5.8 at 1,529.2.

Brambles rose 8 cents to A$16.20 in early trade but fell back to close 12 cents down at A$16 after broker Ord Minnett sold 3.65m shares at A$15.80. Minnett also sold a portfolio valued at A$2.3m, while BZW sold two portfolios, each valued at A$70m, in London overnight. The London portfolio trade boosted local turnover to 110.9m shares.

SINGAPORE's Straits Times Industrial Index rose 8.50 to 1,605.28, just below the record 1,607.12 set on March 27, 1990. Volume was 43.8m shares.

MANILA was lower after last week's rally and the composite index fell 22.83 to 1,317.31.

Brokers said the market had already discounted President Fidel Ramos's announcement of his determination to break up the monopoly of phone giant Philippine Long Distance Telephone. PLDT shares ended 25 pesos lower at 865 pesos.

The state-run National Development Company is to auction 89.7 per cent of International Corporate Bank in April after acquiring 40 per cent of the equity from American Express Bank. The remaining 10 pct of the bank, known as Interbank, will be sold immediately after to small Filipino investors.

SEOUL was easier, with the widely expected announcement of interest rate cuts already discounted.

The composite index shed 5.11 to 702.50 in heavy trade.

KUALA LUMPUR was mixed in thin trading with the market lacking a clear direction. The composite index edged up 0.41 to 626.34.

TAIWAN is to offer stakes in state-owned enterprises to foreign investors during the next six months as the government pushes ahead with its faltering privatisation programme.

Bangkok is encouraged by economic outlook

Victor Mallet assesses the market's recent rally

Since the start of the year brokers in Bangkok have been asking themselves when, not if, the Stock Exchange of Thailand index would rise above the 1,000 mark.

The economy is buoyant and still growing at around 7 to 8 per cent a year; the government is stable; and last year's gloom among local investors has dissipated with each day of the police struggle to prepare a case against Mr Song Watcharasriroj, better known as Sia Song, who has been accused of share manipulation.

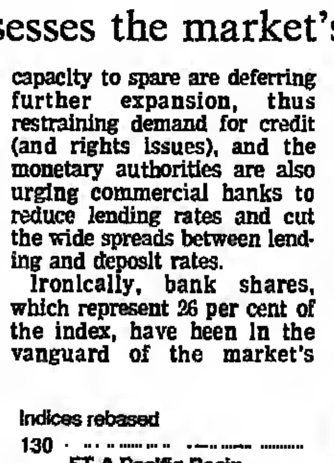
In the event the 1,000 level was breached on Monday, albeit briefly; the first time it has risen above this barrier since August 1990, the month Iraq invaded Kuwait. The SET index topped 1,001 that afternoon, before receding slightly to close 18.74 ahead on the day at 998.44 – nearly 50 per cent above its low in May last year when the Thai army shot pro-democracy demonstrators on the streets of the capital. Profit-taking yesterday saw the index fall 10.47 to 987.97.

Most brokers expect the market to continue rising in the weeks ahead and do not consider the recent rally as just a short-lived bout of euphoria prompted by last weekend's festivities for the Chinese new year.

With interest rates falling, investors are being encouraged to put their money in stocks rather than on deposit at the banks.

Industrial companies with capacity to spare are deferring further expansion, thus restraining demand for credit (and rights issues), and the monetary authorities are also urging commercial banks to reduce lending rates and cut the wide spreads between lending and deposit rates.

Ironically, bank shares, which represent 26 per cent of the index, have been in the vanguard of the market's recent surge on the strength of profits made out of those same wide spreads.



Source: Datastream

To say the profits of Thai banks are healthy would be an understatement. Bangkok Bank, the country's largest, lifted net profits in 1992 by 45 per cent from the previous year's level to Bt10.54bn ($415m). Thai Military Bank's profits were up 79 per cent, Thai Farmers Bank's 53 per cent and Krung Thai Bank's an impressive 139 per cent.

Although bank margins could narrow in the current year, the Thai Bankers Association is a powerful lobby group which will do its best to resist the pressure from the central bank.

Furthermore, the costs of some banks will fall when they can access funds via the new Bangkok International Banking Facility with its various tax advantages.

A foreign broker in Bangkok commented: "I think the margin environment for them this year is going to continue to be very good."

The strong position of the banks has led to a revaluation of the whole sector. Typical price/earnings ratios have risen from about eight times to current levels of 11 or 12 and are expected to further increase to 14 or 15.

Basic consumer stocks, such as Serm Suk and Haad Thip, which bottle Pepsi-Cola and Coca-Cola respectively, are also doing well as the wealth generated by economic expansion spreads slowly to the provinces. Franchise holders of luxury brand names are also being tipped as good buys.

Among other contributors to the recent rise of the market are the leveraged property groups, which are benefiting from lower interest rates, and finance and securities companies, which have quickly recovered from the gloom over the Sia Song scandal loss restrictions imposed on their loans to clients for the purchase of shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 25 1993								FRIDAY JANUARY 22 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	119.64	+0.0	113.74	93.25	97.81	118.39	-0.1	4.10	118.68	115.63	94.41	98.93	118.45	153.68	108.18	142.84
Austria (18)	137.41	+2.0	130.64	107.10	112.34	112.43	-0.2	2.06	134.72	130.18	106.26	111.36	112.63	186.70	131.16	167.15
Belgium (42)	141.95	+2.1	134.95	110.63	116.05	113.42	-0.1	3.33	139.03	134.32	108.67	114.92	113.48	152.27	131.18	141.68
Canada (113)	112.89	+1.2	107.32	87.98	92.29	104.51	+0.7	3.18	111.75	107.87	88.18	92.37	103.78	142.12	111.36	139.11
Denmark (33)	210.07	+1.2	199.71	163.73	171.74	172.79	-0.2	1.58	207.86	200.63	163.82	171.66	173.13	273.94	181.70	262.73
Finland (23)	70.08	+6.0	66.61	54.61	57.28	78.15	+2.4	1.60	66.08	63.84	52.13	54.62	76.34	89.80	52.84	85.51
France (99)	148.64	-0.7	141.31	115.84	121.51	124.10	-1.5	3.63	149.67	144.81	118.08	123.71	126.43	168.75	136.93	149.81
Germany (62)	109.26	+0.0	103.81	85.12	89.27	89.27	-1.1	2.58	109.21	105.52	86.17	90.28	90.28	129.89	101.59	117.89
Hong Kong (55)	237.18	+0.0	225.46	164.86	193.81	235.48	+0.0	3.82	237.15	229.13	187.08	196.05	235.48	262.28	176.36	188.91
Ireland (16)	142.23	+1.5	135.21	110.85	116.28	118.86	+0.1	4.46	140.14	135.40	110.55	115.64	118.74	173.71	122.96	167.67
Italy (78)	59.48	-1.5	56.53	46.34	48.61	64.42	-2.2	3.23	60.36	58.32	47.81	49.89	65.89	80.86	47.47	78.09
Japan (472)	101.64	+0.7	96.62	79.22	83.11	79.22	-0.5	1.05	100.97	97.56	79.65	83.46	79.65	140.95	87.27	124.01
Malaysia (69)	260.86	+0.1	247.90	203.14	213.09	259.60	+0.0	2.55	260.42	251.64	205.46	215.29	259.60	262.42	212.48	224.38
Mexico (18)	1682.58	+0.4	1599.60	1311.40	1375.58	5708.42	+0.4	1.05	1675.48	1618.80	1321.75	1385.01	5687.07	1789.77	1185.64	1526.67
Netherland (25)	156.65	+0.6	148.92	122.09	128.07	128.44	-0.5	4.50	155.71	150.44	122.83	128.72	127.07	169.70	147.68	152.24
New Zealand (13)	41.34	+0.9	39.30	32.22	33.80	42.41	+0.5	5.16	40.96	39.57	32.31	33.86	42.20	48.52	37.39	45.94
Norway (22)	144.21	-0.4	137.10	112.40	117.90	130.65	-2.1	1.85	144.79	139.89	114.22	119.69	133.39	192.95	128.05	184.34
Singapore (38)	213.04	+0.1	202.53	166.04	174.16	161.25	+0.0	2.04	212.78	205.58	167.86	175.89	161.25	228.63	179.65	228.43
South Africa (60)	156.55	+0.0	148.83	122.02	127.99	163.77	-0.3	3.11	156.54	151.25	123.49	129.40	164.24	263.60	134.21	258.19
Spain (47)	129.64	+0.8	123.44	101.20	106.15	109.63	-0.8	5.52	129.02	124.65	101.78	106.65	110.54	161.72	107.10	154.10
Sweden (38)	157.63	-1.0	150.04	123.01	129.03	165.07	-2.5	2.60	159.43	154.04	125.76	131.80	169.29	200.28	148.69	185.56
Switzerland (56)	115.22	+0.5	109.53	89.80	94.20	103.04	-0.5	2.08	114.63	110.76	90.44	94.77	103.59	122.37	95.99	101.01
United Kingdom (226)	173.93	+1.3	165.35	135.55	142.18	165.35	-0.3	4.50	171.67	165.87	135.42	141.90	165.87	200.07	161.86	179.93
USA (522)	179.96	+0.8	171.08	140.27	147.13	179.98	+0.8	2.86	178.48	172.42	140.79	147.53	178.48	180.06	160.92	169.22
Europe (781)	139.44	+0.6	132.56	108.68	114.00	124.45	-0.8	3.80	138.65	133.96	109.38	114.62	125.49	156.88	131.31	146.08
Nordic (114)	148.92	+0.2	141.57	116.07	121.75	137.99	-1.5	2.22	148.69	143.66	117.30	122.91	140.07	188.52	141.24	185.15
Pacific Basin (715)	106.79	+0.6	101.52	83.23	87.30	85.17	-0.5	1.41	106.17	102.58	83.76	87.77	85.57	141.57	93.70	126.54
Euro-Pacific (1496)	120.01	+0.6	114.10	93.53	98.11	100.80	-0.6	2.64	119.33	115.29	94.13	98.63	101.44	145.21	113.80	134.64
North America (635)	175.81	+0.8	167.14	137.04	143.76	174.65	+0.8	2.89	174.33	168.44	137.54	144.14	173.41	176.04	158.70	167.30
Europe Ex. UK (555)	118.61	+0.0	112.78	92.46	96.99	102.10	-1.2	3.30	118.65	114.54	93.54	98.02	103.32	132.98	111.33	125.46
Pacific Ex. Japan (243)	157.22	+0.0	149.47	122.58	128.55	146.48	+0.0	3.62	157.14	151.63	123.88	129.91	148.48	175.31	146.05	151.49
World Ex. US (1687)	121.18	+0.6	115.19	94.44	99.09	102.95	-0.6	2.55	120.47	116.39	95.04	99.59	103.55	146.81	115.99	137.02
World Ex. UK (1983)	136.82	+0.6	130.07	106.64	111.87	122.80	+0.1	2.46	135.98	131.38	107.26	112.42	122.71	150.58	127.21	143.69
World Ex. So. Af. (2149)	140.03	+0.7	133.13	109.15	114.49	126.19	+0.0	2.67	139.06	134.36	109.72	114.97	126.15	153.05	130.04	148.11
World Ex. Japan (1737)	161.57	+0.7	153.60	125.94	132.11	154.27	+0.2	3.20	160.45	155.02	126.59	132.65	153.94	165.40	151.93	160.30
The World Index (2209)	140.04	+0.7	133.13	109.15	114.50	126.65	+0.0	2.68	139.06	134.37	109.72	114.98	126.51	153.70	130.66	146.65

Constituent change 26/1/93: Name change: Hachette to Matra-Hachette (France). Markets closed January 25: Hong Kong, Malaysia & Singapore.
Latest prices were unavailable for this edition.